

# PATENT MISJOINDER

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*The Leahy-Smith America Invents Act effectively repealed aspects of the Federal Rules of Civil Procedure by creating a new statutory section governing joinder of accused infringers and consolidation of actions for trial in most patent infringement cases. This new law codifies a substantial barrier to joinder and consolidation for trial. In so doing, it frustrates the promotion of liberal standards both for evaluating the sufficiency of pleadings and for evaluating the propriety of joinder of parties—two of the primary policies embraced by the drafters of the Federal Rules of Civil Procedure. Remarkably, Congress adopted the new statutory section despite the absence of any detailed scholarly analysis prior to its enactment regarding these issues, sparse legislative history analyzing perceived problems with the relevant Federal Rules of Civil Procedure, and the lack of any consideration of the new statutory section by the Supreme Court’s Advisory Committee on Civil Rules. This Article provides a comprehensive analysis of the reasons for the enactment of the new statutory section, the competing policies animating the Leahy-Smith America Invents Act and the Federal Rules of Civil Procedure, and the appropriate interpretation and application of the new law. Such analyses have, to date, been absent from the legal conversation.*

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## INTRODUCTION

Until September 16, 2011, the Federal Rules of Civil Procedure, with limited exceptions, governed both permissive joinder of parties and consolidation of actions for trial in almost any type of federal civil litigation.<sup>1</sup> On that day, President Obama signed into law<sup>2</sup> the Leahy-Smith America Invents Act (AIA),<sup>3</sup> which created a new statutory section (35 U.S.C. § 299) governing these issues in most cases arising under the patent laws of the United States.<sup>4</sup> In enacting this new statutory section, Congress and the President took a significant step toward correcting a perceived problem plaguing patent infringement litigation—so-called “patent trolls” joining numerous unrelated accused infringers in inconvenient venues.<sup>5</sup>

In considering the laudable goal of correcting this perceived problem, however, one should not overlook the unique and radical aspects of the solution. Notably, 35 U.S.C. § 299 overrides the Federal Rules of Civil Procedure to the extent that the section is inconsistent

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<sup>1</sup> See FED. R. CIV. P. 1 (“These rules govern the procedure in all civil actions and proceedings in the United States district courts, except as stated in Rule 81.”); FED. R. CIV. P. 20 (governing permissive joinder of parties); FED. R. CIV. P. 42 (governing consolidation of actions for trial); FED. R. CIV. P. 81(a) (listing the limited exceptions to the applicability of the Federal Rules of Civil Procedure).

<sup>2</sup> See Press Release, Office of the Press Sec’y, White House, President Obama Signs America Invents Act, Overhauling the Patent System to Stimulate Economic Growth, and Announces New Steps to Help Entrepreneurs Create Jobs (Sept. 16, 2011), available at <http://www.whitehouse.gov/the-press-office/2011/09/16/president-obama-signs-america-invents-act-overhauling-patent-system-stim>.

<sup>3</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (to be codified in scattered sections of 35 U.S.C.).

<sup>4</sup> See Leahy-Smith America Invents Act § 19(d), 35 U.S.C. § 299(a) (Supp. V 2012) (amended 2013) (providing that the new statutory section regarding joinder applies “[w]ith respect to any civil action arising under any Act of Congress relating to patents, other than an action or trial in which an act of infringement under section 271(e)(2) has been pled”). The exception for cases involving section 271(e)(2) claims means that cases with allegations of infringement related to certain drugs and veterinary biological products are not subject to § 299. See 35 U.S.C. § 271(e)(2) (2006) (making it an act of infringement to submit applications for certain patented drugs and veterinary biological products).

<sup>5</sup> Early commentators on § 299 highlighted its effect on “nonpracticing entities,” pejoratively called “patent trolls.” See, e.g., Dennis Crouch & Jason Rantanen, *Rush to Judgment: New Dis-joinder Rules and Non-practicing Entities*, PATENTLY-O BLOG (Sept. 20, 2011, 3:10 PM), <http://www.patentlyo.com/patent/2011/09/rush-to-judgment-new-dis-joinder-rules-and-non-practicing-entities.html> (“The dis-joinder provisions were put in place as a hurdle for non-practicing entities alleging infringement across an industry.”); Charles Gorenstein, *America Invents Act Exercises “Con-Troll” over Patent Litigation*, IPWATCHDOG BLOG (Sept. 19, 2011, 3:50 PM), <http://www.ipwatchdog.com/2011/09/19/con-troll-over-patent-litigation/id=19279/> (“This provision appears to effectively put an end to what has become an all-to[o]-common mode of wholesale patent enforcement by patent-owning organizations referred to politely as ‘non-practicing entities.’”). For an explanation of what characteristics qualify a litigant as a “patent troll” or “nonpracticing entity,” see *infra* notes 29–30 and accompanying text.

with them.<sup>6</sup> It creates procedural rules governing only a subset of one type of litigation in federal district court: patent infringement litigation.<sup>7</sup> It constructs a substantial barrier for plaintiffs who wish to join accused infringers in one case and in one trial.<sup>8</sup> It imposes upon courts and patent owners the prospect of litigating the same factual and legal questions numerous times—an inefficient process with the attendant substantive risk to patent owners of issue preclusion.<sup>9</sup> Furthermore, it contradicts primary policies embraced by the drafters of the Federal Rules of Civil Procedure: the promotion of liberal standards for evaluating the sufficiency of pleadings and for evaluating the propriety of joinder of parties and consolidation of actions.<sup>10</sup>

Given these unique and radical aspects of § 299,<sup>11</sup> it is remarkable that Congress enacted it without the benefit of scholarly analysis

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<sup>6</sup> See *Mitchell v. Farcass*, 112 F.3d 1483, 1489 (11th Cir. 1997) (“[A] statute passed after the effective date of a federal rule repeals the rule to the extent that it actually conflicts.” (quoting *Jackson v. Stinnett*, 102 F.3d 132, 135 (5th Cir. 1996)) (internal quotation marks omitted)).

<sup>7</sup> Beyond the exception already noted, *see supra* note 4, the new statutory section distinguishes between, on the one hand, civil actions “arising under any Act of Congress relating to patents” and, on the other hand, civil actions not arising under federal patent statutes. See 35 U.S.C. § 299. Thus, § 299 continues to distinguish cases with patent-law *claims* from cases with only patent-law *counterclaims*. See *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 829–30 (2002) (holding that the correct interpretation of 28 U.S.C. § 1338(a) limits the Federal Circuit’s appellate jurisdiction to cases in which “[t]he plaintiff’s well-pleaded complaint” asserts a claim arising under federal patent law and that a counterclaim will not constitute a valid basis for “arising under” jurisdiction); *see also infra* Part III.A.1 (describing how § 299 perpetuates the problem identified in *Holmes Group*).

<sup>8</sup> The impact of that barrier will depend on the interpretation of § 299. *See infra* Part IV (describing both liberal and restrictive interpretations of § 299). But § 299 unmistakably narrows the grounds for permissive joinder of accused infringers when compared to both prongs of the test articulated in Rule 20(b). *See infra* Part III.A.2 (concluding that § 299 restricts at least some of the discretion previously afforded to both patent owners and courts under Rule 20).

<sup>9</sup> If allegations do not relate to infringement of “the same accused product or process,” the accused infringers “may not be joined in one action . . . or have their actions consolidated for trial,” even if the resulting two lawsuits involve common questions of fact or law. 35 U.S.C. § 299. This increases the chance that an accused infringer will obtain a judgment of invalidity, which would impact future lawsuits given the doctrine of issue preclusion. *See Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971) (overruling prior case law “to the extent it foreclose[d] a plea of estoppel by one facing a charge of infringement of a patent that has once been declared invalid”).

<sup>10</sup> *See* Christopher M. Fairman, *The Myth of Notice Pleading*, 45 ARIZ. L. REV. 987, 990–91 (2003) (noting that, under the Federal Rules, pleadings must merely “provid[e] notice of the claim asserted”); Judith Resnik, *Failing Faith: Adjudicatory Procedure in Decline*, 53 U. CHI. L. REV. 494, 521 (1986) (“The 1938 Rules deliberately liberalized joinder practice . . .”).

<sup>11</sup> The joinder rules in the Federal Rules of Civil Procedure embrace prior equity practice and its insistence on liberal pleading, broad joinder, and discretion. *See* Stephen N. Subrin, *How Equity Conquered Common Law: The Federal Rules of Civil Procedure in*

regarding permissive joinder of accused infringers or consolidation in patent infringement litigation.<sup>12</sup> Similarly troubling, there is sparse legislative history analyzing perceived problems with the relevant Federal Rules of Civil Procedure.<sup>13</sup> In fact, neither the Committee on Rules of Practice and Procedure of the Administrative Office of the U.S. Courts or its Advisory Committee on Civil Rules appears even to have considered the legislation prior to its enactment.<sup>14</sup> This Article provides the necessary comprehensive analysis that has so far been absent from the legal conversation.

By creating a new statutory section that governs permissive joinder of accused infringers in most patent cases, Congress and the President effectively resolved a split of authority among federal

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*Historical Perspective*, 135 U. PA. L. REV. 909, 912 (1987) (“[A] historical examination of the evolution of the Federal Rules reveals that rules of equity prevailed over common law procedure.”). Section 19(d) of the America Invents Act (AIA), by contrast, reflects views “rooted in a common law tradition that embraced definition and control.” *See id.* at 975 (noting that such views were typical of “those opposed to the uniform federal rules movement”). Thus, while § 299 is “unique and radical” compared to the Federal Rules of Civil Procedure, the Rules themselves “were revolutionary in their approach and impact because they borrowed so much from equity and rejected so many of the restraining and narrowing features of historic common law procedure.” *Id.* at 925. One might say, therefore, that § 299 merely “revisit[s] our common law heritage.” *See id.* at 1002 (recalling that “law and equity developed as companions”).

<sup>12</sup> Scholars offered scant analysis relevant to these concepts prior to 2011—and what was published was sporadic and largely disconnected. *See, e.g.*, Mary Kay Kane, *Original Sin and the Transaction in Federal Civil Procedure*, 76 TEX. L. REV. 1723, 1746 & n.101 (1998) (citing a decision refusing joinder of defendants in the context of a patent infringement case to highlight distinct interpretations of the term “transaction” in Rules 13 and 20); Donald W. Rupert & Daniel H. Shulman, *Clarifying, Confusing, or Changing the Legal Landscape: A Sampling of Recent Cases from the Federal Circuit*, 19 FED. CIR. B.J. 521, 543–44 (2010) (explaining that “if Rule 20 is strictly enforced by the district courts, there is a possibility that even a multiple defendant case could be split apart for venue transfer purposes” because “the patent owner’s asserted right does not necessarily arise out of the same transactions or occurrences for all defendants because defendants’ products are often different and their proofs of noninfringement may vary”); Edward Hsieh, Note, *Mandatory Joinder: An Indirect Method for Improving Patent Quality*, 77 S. CAL. L. REV. 683, 684 (2004) (arguing that “[m]andatory joinder [of accused infringers] would facilitate cooperation and reduce the scourge of bad patents by consolidating all defendants in a single action”).

<sup>13</sup> The House of Representatives Committee on the Judiciary indicated that the Act “addresses problems occasioned by the joinder of defendants (sometimes numbering in the dozens) who have tenuous connections to the underlying disputes in patent infringement suits.” H.R. REP. NO. 112-98, pt. 1, at 54 (2011). The Committee, however, did not identify any specific problems. *Id.*; *see also infra* Part III.B (analyzing the relevant legislative history).

<sup>14</sup> Shortly after passage of the AIA, I contacted the Committee on Rules of Practice and Procedure of the Administrative Office of the U.S. Courts by letter regarding whether it or its Advisory Committee on Civil Rules considered the AIA prior to its enactment. A representative eventually notified me by telephone that committee members had not been able to identify any consideration of the legislation prior to its enactment.

district judges about the proper interpretation and application of Federal Rules of Civil Procedure 20 and 42 in patent infringement litigation.<sup>15</sup> Some judges, including judges in the Eastern District of Texas, the Northern District of Texas, the District of Kansas, and the Eastern District of Louisiana, had interpreted Rules 20 and 42 broadly. For example, these judges interpreted the Rules to permit joinder of accused infringers based on allegations of infringement of the same patent unless, after discovery, the accused infringers proved that their accused products or processes were dramatically different.<sup>16</sup> Other judges, including a different judge in the Eastern District of Texas as well as judges in the Northern District of California, the Northern District of Illinois, and the Western District of Washington, had interpreted the rules much more narrowly. These judges interpreted Rule 20 to permit joinder of accused infringers only if the accused infringers and the accused products or processes were related, the accused infringers acted in concert, or the accused products or processes were very similar.<sup>17</sup>

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<sup>15</sup> Ironically, several months after enactment of § 299, the Federal Circuit resolved the split of authority regarding the proper interpretation of Rule 20 in patent infringement cases. *In re EMC Corp.*, 677 F.3d 1351, 1357, 1359 (Fed. Cir. 2012) (acknowledging the split and ultimately concluding that “joinder is not appropriate where different products or processes are involved”). As the court highlighted, the President signed the AIA into law just days after the petitioner filed its petition, and therefore the Federal Circuit’s “decision will only govern a number of cases that were filed before the passage of the new joinder provision.” *Id.* at 1355–56.

<sup>16</sup> See *MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455, 457 (E.D. Tex. 2004) (“[S]everance could be appropriate if the defendants’ methods or products were dramatically different. . . . Here, the parties have not completed fact discovery, and the Court is not in a position to determine whether the [accused infringer’s] products or methods are substantially similar or dissimilar to the other defendants’.”); *Sprint Commc’ns Co. v. TheGlobe.com, Inc.*, 233 F.R.D. 615, 617–18 (D. Kan. 2006) (citing *MyMail* for the proposition that a strict interpretation of Rule 20 would run counter to the principle of judicial economy and denying severance in the case at bar); *Centre One v. Vonage Holdings Corp.*, No. 6:08CV467, 2009 WL 2461003, at \*7 (E.D. Tex. Aug. 10, 2009) (same); *Adrain v. Genetec Inc.*, No. 2:08-CV-423, 2009 WL 3063414, at \*2–3 (E.D. Tex. Sept. 22, 2009) (same); *Mannatech, Inc. v. Country Life, LLC*, No. 3:10-CV-533-O, 2010 WL 2944574, at \*1–2 (N.D. Tex. July 26, 2010) (citing *Adrain* and denying severance); *Alford Safety Servs., Inc. v. Hot-Hed, Inc.*, No. 10-1319, 2010 WL 3418233, at \*9–10 (E.D. La. Aug. 24, 2010) (citing *MyMail* and denying severance); *Eolas Techs., Inc. v. Adobe Sys., Inc.*, No. 6:09-CV-446, 2010 WL 3835762, at \*2 (E.D. Tex. Sept. 28, 2010) (same).

<sup>17</sup> See, e.g., *Interval Licensing LLC v. AOL, Inc.*, No. C10-1385, 2011 WL 1655713, at \*2 (W.D. Wash. Apr. 29, 2011) (severing defendants because, while they were accused of infringing patents in similar ways, each defendant “operates differently and offers products that often compete with those of other [d]efendants”); *Rudd v. Lux Prods. Corp.*, No. 09-cv-6957, 2011 WL 148052, at \*2–4 (N.D. Ill. Jan. 12, 2011) (finding that defendants’ alleged acts of infringement were “unrelated” and therefore granting motion to sever); *WiAV Networks, LLC v. 3Com Corp.*, No. C 10-03448 WHA, 2010 WL 3895047, at \*3–4 (N.D. Cal. Oct. 1, 2010) (dismissing all but the first named defendant because the plaintiff did not allege that the defendants engaged in related activities or otherwise acted in concert); *Reid*

Like these latter judges, § 299 advances a narrow rule regarding permissive joinder of accused infringers and consolidation of separate patent infringement actions for trial. Absent waiver by the accused infringers, § 299 restricts joinder and consolidation for trial to situations in which the accused infringers allegedly infringe using “the same accused product or process” and in which questions of fact common to all accused infringers will arise.<sup>18</sup> The new statutory section, again absent waiver, also eliminates the ability to join accused infringers or consolidate actions for trial “based solely on allegations that they each have infringed the patent or patents in suit.”<sup>19</sup>

Beyond its resolution of diverging judicial interpretations of the Federal Rules of Civil Procedure, § 299 likely reflects discontent regarding the high cost of patent infringement litigation,<sup>20</sup> coupled with the loss of individualized defenses to alleged infringement. Joinder, of course, may be efficient for patent owners, accused infringers, affected third parties, and courts.<sup>21</sup> Furthermore, consolidating trial presentations could likewise reduce costs by eliminating duplicative efforts by litigants, courts, and juries. But joinder and consolidation for trial also create costs unknown to lawsuits involving individual accused infringers. For example, when a patent owner joins claims against multiple accused infringers in one lawsuit, each accused infringer has added incentive to monitor information and activities associated with other accused infringers in order to minimize potential prejudice, an expensive endeavor. Moreover, joinder and consolidation for trial also eliminate many individualized opportunities for discovery and presentation of positions to the court or jury.<sup>22</sup> Section 299 may reflect a judgment that the efficiency gains from joinder and consolidation do not justify these costs and this loss of individualization.

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v. Gen. Motors Corp., 240 F.R.D. 260, 263 (E.D. Tex. 2007) (granting severance because each of the “primary defendants” had “its own” accused product and noting that allegations of infringement against unrelated parties based on different acts do not arise from the same transaction).

<sup>18</sup> 35 U.S.C. § 299(a) (Supp. V 2012) (amended 2013).

<sup>19</sup> *Id.*

<sup>20</sup> In 2011, parties incurred a median total cost of \$2.5 million in patent infringement lawsuits with between \$1 million and \$25 million at risk. AM. INTELL. PROP. L. ASS’N, 2011 REPORT OF THE ECONOMIC SURVEY 29 (2011). Beyond this raw data, an empirical study has shown that the broad category of intellectual property cases, which includes patent infringement cases, has costs substantially higher than other types of cases. *See* EMERY G. LEE III & THOMAS E. WILLGING, FED. JUDICIAL CTR., LITIGATION COSTS IN CIVIL CASES: MULTIVARIATE ANALYSIS 8 (2010) (“In terms of nature-of-suit categories, Intellectual Property cases had costs almost 62% higher, all else equal, than the baseline ‘Other’ category.”).

<sup>21</sup> For a discussion of joinder-related efficiencies experienced by patent owners, see *infra* Part II.A.1.

<sup>22</sup> *See infra* Part II.A.2.

Section 299 also likely reflects recent and continued concern about forum shopping by patent owners, particularly forum shopping favoring the Eastern District of Texas. Indeed, the legislative history of the AIA indicates that Congress was targeting the Eastern District of Texas.<sup>23</sup> Notably, since 2009, the U.S. Court of Appeals for the Federal Circuit (“the Federal Circuit”) has issued nine writs of mandamus ordering the Eastern District of Texas to transfer patent infringement cases to more convenient forums,<sup>24</sup> and one additional writ of mandamus ordering the Eastern District of Texas to reconsider a denial of transfer to an allegedly more convenient forum.<sup>25</sup> However, if a patent owner names a number of accused infringers in a complaint filed in the Eastern District of Texas, and at least one or more of the accused infringers is headquartered in or near the Eastern District of Texas or has significant ties to it, the patent owner may be able to avoid transfer.<sup>26</sup>

To examine joinder practice in the Eastern District of Texas and its potential relationship with forum shopping, I conducted a study

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<sup>23</sup> See H.R. REP. NO. 112-98, pt.1, at 55 n.61 (2011) (noting that the new statutory section “legislatively abrogates” the construction of Rule 20(a) adopted in seven cases, four issued by the Eastern District of Texas); 157 CONG. REC. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Jon Kyl) (“This provision effectively codifies current law as it has been applied everywhere outside of the Eastern District of Texas.”). This is not the first time members of Congress have targeted the Eastern District of Texas and its handling of patent cases. See Xuan-Thao Nguyen, *Dynamic Federalism and Patent Law Reform*, 85 IND. L.J. 449, 483–88 (2010) (describing efforts to exclude Eastern District of Texas judges from a congressionally sponsored pilot program intended to provide training and additional funding to district court judges willing to hear patent cases); Xuan-Thao Nguyen, *Justice Scalia’s “Renegade Jurisdiction”: Lessons for Patent Law Reform*, 83 TUL. L. REV. 111, 143–44 (2008) (describing congressional testimony citing the Eastern District of Texas “as an example of patent litigation . . . abuse” and describing interest group “lobby[ing] for reforms to end forum shopping”).

<sup>24</sup> See *In re Morgan Stanley*, 417 F. App’x 947, 948 (Fed. Cir. 2011) (ordering the transfer of the case at bar from the Eastern District); *In re Verizon Bus. Network Servs. Inc.*, 635 F.3d 559, 560–61 (Fed. Cir. 2011) (same); *In re Microsoft Corp.*, 630 F.3d 1361, 1362 (Fed. Cir. 2011); *In re Acer Am. Corp.*, 626 F.3d 1252, 1254, 1256 (Fed. Cir. 2010) (same); *In re Zimmer Holdings, Inc.*, 609 F.3d 1378, 1379, 1382 (Fed. Cir. 2010) (same); *In re Nintendo Co.*, 589 F.3d 1194, 1196, 1201 (Fed. Cir. 2009) (same); *In re Hoffmann-La Roche Inc.*, 587 F.3d 1333, 1334, 1338 (Fed. Cir. 2009) (same); *In re Genentech, Inc.*, 566 F.3d 1338, 1340, 1348 (Fed. Cir. 2009) (same); *In re TS Tech USA Corp.*, 551 F.3d 1315, 1317, 1323 (Fed. Cir. 2008) (same).

<sup>25</sup> See *In re Oracle Corp.*, 399 F. App’x 587, 587–88, 590 (Fed. Cir. 2010) (vacating the Eastern District of Texas’s denial of the motion to transfer and ordering it to undertake a “proper . . . analysis” of the motion).

<sup>26</sup> See, e.g., *In re Google Inc.*, 412 F. App’x 295 (Fed. Cir. 2011) (finding that the Eastern District of Texas did not abuse its discretion in prioritizing judicial economy and its local interest in deciding the matter given that four accused infringers resided in the district, and denying petition for writ of mandamus to order the court to transfer the entire action or to sever and transfer the petitioner’s claims, despite the fact that another district would have been more convenient for seven other defendants residing there).



comparing initial complaints alleging patent infringement filed in the Eastern District of Texas with those filed in the Northern District of California. My study reveals a stark difference both in the number of accused infringers identified in initial complaints filed in the two forums and in the proportion of accused infringers identified as having ties to the two districts' states.<sup>27</sup> Collectively, the information suggests that § 299 may reflect Congress's rejection of the tactic of naming local defendants as anchors to avoid transfer of cases involving other, non-local defendants to forums more convenient to the non-local defendants.<sup>28</sup>

Another factor that likely influenced the passage of § 299 is concern with so-called "nonpracticing entities," or "patent trolls." These entities exist solely to own and assert patents, do not provide any products or services, and so do not use the technology covered by their patents.<sup>29</sup> They may seek inflated licensing revenues based on the high cost and risk associated with defending patent infringement litigation.<sup>30</sup> Indeed, commentators identify forum shopping by patent owners as a contributing factor to the "patent troll" phenomenon often associated with the Eastern District of Texas.<sup>31</sup> This Article addresses all these potential justifications for enactment of § 299.

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<sup>27</sup> See *infra* Appendix (presenting various figures summarizing the results of the study).

<sup>28</sup> See *infra* Part II.A.3 (analyzing the incentives for patent owners to name accused infringers with ties to the forum in order to avoid transfer).

<sup>29</sup> See, e.g., *Amgen, Inc. v. F. Hoffmann-La Roche Ltd.*, 581 F. Supp. 2d 160, 210 (D. Mass. 2008) (defining "[p]atent trolls" as "'nonpracticing entities' who 'do not manufacture products, but instead hold . . . patents, which they license and enforce against alleged infringers'" (quoting *Taurus IP, LLC v. DaimlerChrysler Corp.*, 519 F. Supp. 2d 905, 911 (W.D. Wis. 2007), *aff'd in part, vacated in part, and remanded*, 580 F.3d 1340 (Fed. Cir. 2009))); Michael Abramowicz & John F. Duffy, *The Inducement Standard of Patentability*, 120 YALE L.J. 1590, 1600–01 (2011) ("The term 'patent troll' has been generally, if somewhat loosely, defined in the literature as a 'nonpracticing entity,' an entity that has never commercialized or 'practiced' its patented technology." (citation omitted)).

<sup>30</sup> See, e.g., Christopher A. Cotropia, *The Individual Inventor Motif in the Age of the Patent Troll*, 12 YALE J.L. & TECH. 52, 62 (2009) (noting that "patentees who are non-producing and engage in hold-up behavior have been labeled 'patent trolls'" and explaining that hold-up behavior involves "acquiring [patent] claims and threatening or pursuing litigation . . . [to] seek and often receive economic settlements from genuine innovators and producers that greatly exceed the true economic value of the patents in question" (first alteration in original) (quoting Brief for Yahoo! Inc. as Amicus Curiae Supporting Petitioner at 6, *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006) (No. 05-130), 2006 WL 218988, at \*6)); Randall R. Rader, Chief Judge, Court of Appeals for the Federal Circuit, *The State of Patent Litigation*, Address at the Eastern District of Texas Bench Bar Conference 17 (Sept. 27, 2011) ("I have always preferred an alternative definition of a [patent] 'troll,' namely, any party that attempts to enforce a patent far beyond its actual value or contribution to the prior art.") (transcript available at <http://www.patentlyo.com/files/raderstateofpatentlit.pdf>).

<sup>31</sup> See Andrei Iancu & Jay Chung, *Real Reasons the Eastern District of Texas Draws Patent Cases—Beyond Lore and Anecdote*, 14 SMU SCI. & TECH. L. REV. 299, 300 (2011)

Beyond normative justifications for the new law, § 299 presents important questions regarding interpretation and application. There are many aspects of the new statutory section that are, at a minimum, ambiguous.<sup>32</sup> Furthermore, depending upon its interpretation and application, the new statutory section may eliminate efficiencies in an important subset of cases.<sup>33</sup>

In this Article, I consider possible interpretations of § 299.<sup>34</sup> I suggest that courts interpret the text of the statute, particularly the “same accused product or process” language, with an eye toward increasing efficiency and reducing prejudice to accused infringers by focusing on whether complaints identify concerted action by accused infringers.<sup>35</sup> Under my proposal, a good faith allegation of concerted action should be treated as raising a rebuttable presumption that the accused product or process is “the same,” with the ultimate decision turning on whether the accused products or methods are indistinguishable in any relevant respect.<sup>36</sup>

This Article is organized into four parts. Part I reviews the development of the law governing permissive joinder of defendants in federal court. Part II studies joinder and misjoinder of accused infringers in modern patent infringement litigation prior to enactment of the

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(recognizing that the Eastern District of Texas has been called “a hotbed for ‘patent trolls’” (quoting Peter Lattman, *Patent Trolls: Grazing the Piney Woods?*, WALL ST. J. L. BLOG (Mar. 27, 2006, 12:11 PM), <http://blogs.wsj.com/law/2006/03/27/are-patent-trolls-grazing-the-east-texas-plains>)); Adam D. Kline, *Any Given Forum: A Proposed Solution to the Inequitable Economic Advantage That Arises When Non-practicing Patent Holding Organizations Predetermine Forum*, 48 IDEA 247, 275 (2008) (“There is little doubt that a patent holding organization has the motivation to ensure that its patent cases will be heard in the Eastern District of Texas.”); Yan Leychkis, *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas as a Preeminent Forum for Patent Litigation*, 9 YALE J.L. & TECH. 193, 214 (2007) (“The combination of the local juries’ respect for personal property rights and government agencies and their distrust of large corporate defendants makes the Eastern District of Texas an ideal venue for ‘patent trolls.’”); Mark Liang, *The Aftermath of TS Tech: The End of Forum Shopping in Patent Litigation and Implications for Non-practicing Entities*, 19 TEX. INTELL. PROP. L.J. 29, 77 (2010) (arguing that while the Eastern District of Texas “has served as a second home” for non-practicing entities, writs of mandamus by the Federal Circuit ordering the Eastern District of Texas to transfer cases discourages forum shopping and reduces the leverage patent litigation provides to non-practicing entities to obtain licensing revenues).

<sup>32</sup> Paul Michel, former Chief Judge of the Federal Circuit, described the AIA as including “many sections [that] are poorly written and ambiguous.” Jan Wolfe, *What Effects Will the America Invents Act Have on U.S. Patent Law?*, CORP. COUNS. (Sept. 13, 2011), <http://www.law.com/corporatecounsel/PubArticleFriendlyCC.jsp?id=1202514170593>.

<sup>33</sup> See *infra* Part IV (analyzing competing interpretations of the operative language in § 299 and their application to various hypothetical situations).

<sup>34</sup> See *infra* Part IV.A.

<sup>35</sup> See *infra* Part IV.C.

<sup>36</sup> *Id.*

AIA. It analyzes the conflicting authority regarding interpretation of the relevant provisions of the Federal Rules of Civil Procedure in the context of patent infringement litigation generally and in the context of divergent practices by patent owners filing complaints in the Northern District of California and the Eastern District of Texas in particular. Part III analyzes the new statutory section governing permissive joinder and consolidation in most patent infringement litigation, how it differs from the Federal Rules of Civil Procedure, and its legislative history. Part IV highlights open questions regarding the interpretation and application of the new statutory section and proposes a doctrinal approach that would increase efficiencies and eliminate unfair prejudice.

## I DEVELOPMENT OF THE LAW GOVERNING JOINDER OF DEFENDANTS

It is important to consider the development of the law governing joinder of defendants generally before analyzing the attitudes in patent infringement litigation toward joinder of accused infringers and the proper interpretation and application of § 299. In particular, in this Part, I discuss the competing policies put forward during the drafting of the Federal Rule of Civil Procedure that governs permissive joinder, as well as the body of common law reflecting judges' views about the proper application of that rule outside the context of patent infringement litigation.

### *A. The Federal Rules of Civil Procedure and Permissive Joinder of Parties*

Prior to the AIA, the relevant law governing permissive joinder of parties in all patent infringement litigation was Federal Rule of Civil Procedure 20. With respect to joinder of defendants, the rule includes two prongs. Persons may be joined in one lawsuit as defendants if (1) "any right to relief is asserted against them jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences" and (2) "any question of law or fact common to all defendants will arise in the action."<sup>37</sup>

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<sup>37</sup> FED. R. CIV. P. 20(a).

### 1. *The Drafting of Rule 20*

An Advisory Committee appointed by the Supreme Court drafted Rule 20.<sup>38</sup> The initial draft rule regarding joinder of parties differed significantly from what ultimately became Rule 20. The initial draft effectively required only the second prong—a common question of law or fact—to join defendants in one lawsuit.<sup>39</sup>

At least one member of the Advisory Committee, upon presentation of the initial draft, questioned whether the United States should be permitted to sue “all the delinquent taxpayers in one suit” (assuming the United States could obtain jurisdiction over the taxpayers) if the taxpayers all claimed invalidity of the income tax laws.<sup>40</sup> Thereafter the members of the committee engaged in a wide-ranging debate concerning the merits of the initial draft rule and its single-pronged test for joinder of parties based on a common question of law or fact.<sup>41</sup> At the conclusion of that debate, the committee rejected the initial draft rule and instead voted to adopt the English rule governing permissive joinder of both plaintiffs and defendants.<sup>42</sup> In doing so, they incorporated the first prong into the test for permissive joinder of plaintiffs and defendants—the “same transaction or series of transactions” requirement.<sup>43</sup>

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<sup>38</sup> Order, Appointment of Committee to Draft Unified System of Equity and Law Rules, 295 U.S. 774, 774–75 (1935) (appointing a committee of fifteen members to prepare a “unified system of general rules” for the federal courts).

<sup>39</sup> The initial draft read:

All persons [subject to the jurisdiction of the court] may join as plaintiffs or be joined as defendants in one action where any question of law or facts is common to all the rights of action sought to be enforced. Such persons may be interested, or be liable, jointly, severally, or in the alternative, but need not be interested in obtaining or defending all the relief prayed for.

PROCEEDINGS OF CONFERENCE OF ADVISORY COMMITTEE DESIGNATED BY THE UNITED STATES SUPREME COURT TO DRAFT UNIFORM RULES OF CIVIL PROCEDURE FOR THE DISTRICT COURTS OF THE UNITED STATES AND THE SUPREME COURT OF THE DISTRICT OF COLUMBIA UNDER THE ACT OF CONGRESS PROVIDING FOR SUCH UNIFORM OR UNIFIED RULES 476–77 (Nov. 14, 1935) (alteration in original) (on file with the *New York University Law Review*) [hereinafter NOVEMBER 1935 PROCEEDINGS].

<sup>40</sup> *Id.* at 466.

<sup>41</sup> *Id.* at 474–515.

<sup>42</sup> *Id.* at 514–15. At the time, the relevant English rule read:

All persons may be joined in one action as plaintiffs, in whom any right to relief in respect of or arising out of the same transaction or series of transactions is alleged to exist whether jointly, severally, or in the alternative, where if such persons brought separate actions any common question of law or fact would arise; provided that, if upon the application of any defendant it shall appear that such joinder may embarrass or delay the trial of the action, the court or a judge may order separate trials, or make such other order as may be expedient . . . .

RSC, O. XVI, Rule 1, Annual Practice (1937) 213–14 (Eng.).

<sup>43</sup> Compare *id.* with FED. R. CIV. P. 20.

Beyond highlighting the importance of the first prong of Rule 20, the Advisory Committee's deliberation indicates that committee members were motivated by different and sometimes conflicting reasons for passing Rule 20's two-pronged test. On the one hand, some committee members attempted to liberalize joinder of parties. For example, they sought to prevent adjudication of disputes regarding the propriety of joinder, including disputes regarding the interpretation of the language of the governing rule.<sup>44</sup> On the other hand, other committee members wanted to impose at least loose restrictions on joinder of parties. They sought to require something more than a common question of law to effectuate joinder.<sup>45</sup> They expressed concerns with undue hardships placed on inappropriately joined defendants, including added expenses and duties as well as collective action problems.<sup>46</sup> Some committee members also voiced worries about giving judges too much discretion to determine the propriety of joinder.<sup>47</sup>

The Advisory Committee's deliberation also indicates, perhaps surprisingly, that the exact meaning of the language in the first prong—which at the time recited “arising out of the same transaction or series of transactions”—was unclear to at least some of the committee members.<sup>48</sup> The Committee effectively delegated the interpretation of the similar phrase in Rule 20 to the courts. The ensuing judicial disagreement over its meaning and application in patent cases ultimately led to the enactment of § 299.

## 2. *Scholarly Analysis of Rule 20*

Scholars have attempted to provide guidance for courts interpreting the first prong of Rule 20, which requires determining whether

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<sup>44</sup> See NOVEMBER 1935 PROCEEDINGS, *supra* note 39, at 501–02 (quoting a committee member as seeking a system shifting the basis of disputes from “fighting over the bare bones of whether . . . paper documents should be together or should be separate” to “the convenient way of trying the cases”). While committee members sought to focus attention on substantive rather than procedural disputes and therefore reduce costs associated with pleading, their rules actually diminished the significance of both pleading and trial. Stephen C. Yeazell, *The Misunderstood Consequences of Modern Civil Process*, 1994 Wis. L. REV. 631, 647. Moreover, those rules ultimately substituted a series of intermediate stages of litigation, including questions of joinder, in place of trials. *Id.* Thus, it is ironic that “joinder of parties and claims was rarely disputed under the common law and Code procedures but has become an important source of tactical jockeying under the Rules.” *Id.* at 654. Indeed, “the joinder rules yield pretrial motions and opportunities for strategic maneuvering that have potentially great bearing on the outcome of a case.” *Id.*

<sup>45</sup> NOVEMBER 1935 PROCEEDINGS, *supra* note 39, at 466, 487–88, 497–98, 509–10.

<sup>46</sup> *Id.* at 470, 490–91, 497–98, 502, 504–05, 512-a.

<sup>47</sup> *Id.* at 505–08.

<sup>48</sup> *Id.* at 487, 512-a.

“any right to relief is asserted against [the defendants] jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences.”<sup>49</sup>

Professor Mary Kay Kane argues that courts cannot determine what constitutes a transaction without considering (1) the facts of each case; (2) whether allowing joinder of multiple defendants will further convenience and judicial economy; and (3) whether joinder will “promot[e] decisions on the merits, rather than relying on rigid rules or technicalities.”<sup>50</sup> In her view, a conclusion that the “transaction” standard of Rule 20 is not met “[e]ffectively . . . represents a determination that efficiency concerns would not be clearly promoted by joinder and may be outweighed by the complications introduced into the case by including the additional parties.”<sup>51</sup>

Professor Robin Effron agrees that the joinder rules should be interpreted based on the underlying policies.<sup>52</sup> Indeed, she suggests that there is such an “inadequate fit between the purpose of the rules and the terminology” used in the rules that the best course of action is to abandon the twin requirements of Rule 20—the “common question” and “transaction or occurrence” requirements—and instead focus on the underlying “policy and managerial concerns that already drive joinder decisions.”<sup>53</sup> With respect to permissive joinder, she suggests that judges consider separately the efficiencies gained or lost by holding a common trial and the efficiencies gained or lost by consolidating other aspects of litigation.<sup>54</sup> Given that most cases settle, she suggests that “issues of joint trials should not loom so large in the initial joinder decision and should be dealt with separately . . . when the possibility of a trial becomes a reality.”<sup>55</sup>

Professor Douglas McFarland also advocates a policy-based approach to application of the rules governing joinder. In particular, he embraces the proposition that the “original intent of permissive joinder [is] to allow almost free joinder of parties”<sup>56</sup> and criticizes

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<sup>49</sup> FED. R. CIV. P. 20(a)(2)(A).

<sup>50</sup> Kane, *supra* note 12, at 1747.

<sup>51</sup> *Id.* at 1746; *see also* JACK H. FRIEDENTHAL, MARY KAY KANE & ARTHUR R. MILLER, CIVIL PROCEDURE § 6.4, at 330–31 (1985) (adopting and defining a functional “logical relationship” test “in terms of judicial economy and convenience”).

<sup>52</sup> Robin J. Effron, *The Shadow Rules of Joinder*, 100 GEO. L.J. 759, 762 (2012).

<sup>53</sup> *Id.* at 772, 815.

<sup>54</sup> *Id.* at 817.

<sup>55</sup> *Id.*

<sup>56</sup> Douglas D. McFarland, *Seeing the Forest for the Trees: The Transaction or Occurrence and the Claim Interlock Civil Procedure*, 12 FLA. COASTAL L. REV. 247, 265–66 (2011) (“Despite this clear intent, over the years, courts have been more and more willing to seize on the words of the rule for exclusion, rather than for inclusion, of additional parties; they continue to be ‘skeptical of a natural unity to disputes.’” (quoting

almost any opinion finding misjoinder of parties.<sup>57</sup> He suggests that “the permissive joinder of parties rule closely approached free joinder” and that “the only substantial restriction [is] . . . the common question requirement, not the transaction or occurrence requirement.”<sup>58</sup> Regarding the meaning of “transaction or occurrence,” he advocates for “a common core of operative facts”<sup>59</sup> or “a set of facts that a layperson would expect to be tried together.”<sup>60</sup> He explains that a transaction or occurrence “is one litigable event, one cluster of real world events, one set of facts.”<sup>61</sup> Regarding the meaning of a “series” of transactions or occurrences, he embraces the concept of a “logical relationship” and suggests thinking of a series of transactions or occurrences as “links in a chain.”<sup>62</sup> Thus, Professor McFarland seeks to advance the policy of liberal joinder through specific, broad interpretations of the language of the “transaction or occurrence” requirement in Rule 20.

However, while some members of the Advisory Committee that drafted Rule 20 did cite objectives and policies favoring liberal joinder,<sup>63</sup> other committee members cited objectives and policies favoring loose restraints on joinder, including preventing hardships on defendants and providing at least some restriction on the discretion of trial judges to create those hardships.<sup>64</sup> And while the original goal of

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Robert G. Bone, *Mapping the Boundaries of a Dispute: Conceptions of Ideal Lawsuit Structure from the Field Code to the Federal Rules*, 89 COLUM. L. REV. 1, 106–07 n.360 (1989))).

<sup>57</sup> *Id.* at 265–70 (discussing a number of cases as well as statistical evidence, noting that “[o]ne has to search long and hard for a decision that may have too generously allowed permissive joinder” and concluding that “courts should approve permissive joinder almost as a matter of course”).

<sup>58</sup> *Id.* at 260–61 (citation omitted); see also *id.* at 270 (stating that “the drafters of the permissive joinder rule selected ‘transaction, occurrence, or series of transactions or occurrences’ as terms of inclusion intended to lead to nearly free joinder of parties” and encouraging decisions “in line with the general policies of the rules”). Significantly, the conception that the drafters included the transaction-or-occurrence language as terms of inclusion to lead to nearly free joinder of parties is inconsistent with the Advisory Committee’s deliberations. See NOVEMBER 1935 PROCEEDINGS, *supra* note 39, at 461–515.

<sup>59</sup> McFarland, *supra* note 56, at 248–49.

<sup>60</sup> Douglas D. McFarland, *In Search of the Transaction or Occurrence: Counterclaims*, 40 CREIGHTON L. REV. 699, 732 (2007).

<sup>61</sup> McFarland, *supra* note 56, at 262; see also CHARLES ALAN WRIGHT, *THE LAW OF FEDERAL COURTS* § 79, at 527–28 (4th ed. 1983) (noting that a “transaction or occurrence” can exist even when the evidence needed to prove two claims is different, provided the two claims arise from “the same events”).

<sup>62</sup> McFarland, *supra* note 56, at 264–65.

<sup>63</sup> NOVEMBER 1935 PROCEEDINGS, *supra* note 39, at 461, 469–70, 501–02.

<sup>64</sup> During the deliberations that led to Rule 20, some committee members specifically advocated for inclusion of the “same transaction or occurrence or series of transactions or occurrences” requirement in an effort to limit the ability to join parties on these policy-based justifications. *Id.* at 470, 490–91, 497–98, 502, 504, 505–10, 512-a. Of course, these

Charles Clark, the Reporter for the Advisory Committee,<sup>65</sup> was to allow joinder of parties based only on the requirement of a common question of law or fact,<sup>66</sup> he ultimately amended the draft rule to include the language “same transaction or occurrence or series of transactions or occurrences.”<sup>67</sup> Thus, if courts interpret Rule 20 based on objectives and policy considerations, then they should consider all of the objectives and policy considerations expressed by the Advisory Committee. And while there is nothing inherently wrong with the “logical relationship” test, in practice some courts stretched it to its breaking point in patent infringement cases, as shown below, by permitting joinder in practically every circumstance—without considering whether multiple accused infringers are linked by “one litigable event, one cluster of real world events, one set of facts.”<sup>68</sup>

### *B. Common Law Interpreting Rule 20 Outside of Patent Infringement Litigation*

Courts have developed a body of common law interpreting and applying Rule 20 outside of patent infringement litigation. These cases provide the necessary background and context for analyzing the divergent interpretations of Rule 20 within the patent infringement field.

#### *I. United States v. Mississippi*

The only Supreme Court opinion specifically ruling on the question of permissive joinder of parties and the application of Rule 20 is a

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committee members prevailed: Rule 20 includes the “same transaction or occurrence or series of transactions or occurrences” requirement. FED. R. CIV. P. 20. As another scholar has recognized, these committee members’ insistence on inclusion of this limitation on the ability to join parties reflects a belief that all parties in one lawsuit should be connected to the same dispute. *See Bone, supra* note 56, at 106 n.360 (“It is also possible that at least some of the drafters thought that the commonality requirements expressed the factual and legal unity that made a set of facts into a single ‘legal dispute’ and that they advocated those requirements because they believed that a single lawsuit ought not adjudicate more than one such legal dispute.”).

<sup>65</sup> *See* Order, Appointment of Committee to Draft Unified System of Equity and Law Rules, 295 U.S. 774, 775 (1934) (naming Charles E. Clark the Reporter for the Advisory Committee). Charles Clark was the Dean of Yale Law School at the time the Supreme Court named him the Reporter. *Id.* at 774. Because he later became a judge on the U.S. Court of Appeals for the Second Circuit, I will refer to him in this article as Judge Clark.

<sup>66</sup> *See* Charles E. Clark & James W. Moore, *A New Federal Civil Procedure—II. Pleadings and Parties*, 44 YALE L.J. 1291, 1319–23 (1935) (proposing standards for new joinder rules not including the “same transaction or occurrence or series of transactions or occurrences” requirement). For the deliberations resulting in the addition of this requirement to the rule governing permissive joinder of parties, see NOVEMBER 1935 PROCEEDINGS, *supra* note 39, at 460–515.

<sup>67</sup> NOVEMBER 1935 PROCEEDINGS, *supra* note 39, at 515.

<sup>68</sup> McFarland, *supra* note 56, at 262.



1965 decision, *United States v. Mississippi*.<sup>69</sup> The district court had found misjoinder and held that venue was improper as to various defendants.<sup>70</sup> The Supreme Court reversed, finding that joinder was authorized by Rule 20 and that venue, as a result, was proper.<sup>71</sup> The Court based its decision only on allegations in the complaint,<sup>72</sup> which asserted that some Mississippi voting registrars had acted and were continuing to act as part of a "state-wide system designed to enforce the registration laws in a way that would inevitably deprive colored people of the right to vote solely because of their color."<sup>73</sup> In a terse opinion, the Court held that the registrars "were alleged to be carrying on activities which were part of a series of transactions or occurrences the validity of which depended to a large extent upon 'question[s] of law or fact common to all of them.'"<sup>74</sup>

Two aspects of the Supreme Court's opinion stand out. First, the Court focused its inquiry on the allegations in the complaint, not on any evidence developed through discovery or on allegations made in motion papers. Second, the Court found satisfaction of both the transaction and common question prongs of Rule 20 based on the allegation of concerted action by a group of defendants—a "state-wide system designed to enforce the registration laws"<sup>75</sup> in an illegal manner. Notably, the Court did not reference any underlying policies supporting liberal joinder of parties, whether identified by the Advisory Committee or by scholars analyzing Rule 20.

## 2. The "Logical Relationship" Test

Given the dearth of Supreme Court precedent in this area and the terseness of *United States v. Mississippi*, the leading case interpreting Rule 20 is a court of appeals decision, *Mosley v. General Motors Corp.*<sup>76</sup> *Mosley* involved an interlocutory appeal in which the Eighth Circuit reversed a district court's order to sever plaintiffs who alleged jointly that General Motors had a company-wide policy of illegal discrimination.<sup>77</sup>

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<sup>69</sup> 380 U.S. 128 (1965).

<sup>70</sup> *Id.* at 142.

<sup>71</sup> *Id.* at 143.

<sup>72</sup> *Id.* at 142-43.

<sup>73</sup> *Id.* at 142.

<sup>74</sup> *Id.* at 143 (alteration in original) (quoting FED. R. CIV. P. 20 (1964) (amended 1966)).

<sup>75</sup> *Id.* at 142.

<sup>76</sup> 497 F.2d 1330 (8th Cir. 1974). Other scholars have also identified *Mosley* as the leading case governing permissive joinder of parties. See, e.g., McFarland, *supra* note 56, at 266-67 (noting that, "for many years, every permissive joinder of parties decision routinely cited *Mosley*, and it remains the leading case today").

<sup>77</sup> *Mosley*, 497 F.2d at 1332-34.

Citing the policies of promoting trial convenience and expediting final determinations of disputes, the Eighth Circuit interpreted the language of the rule (“same transaction, occurrence, or series of transactions or occurrences”) flexibly to focus on “the[ ] logical relationship” of various events.<sup>78</sup> It proposed that all logically related events giving rise to a claim comprise a transaction or occurrence.<sup>79</sup> According to the court, this interpretation “would permit all reasonably related claims for relief by or against different parties to be tried in a single proceeding. Absolute identity of all events is unnecessary.”<sup>80</sup>

To support its interpretation of the same transaction test, the Eighth Circuit cited the Supreme Court’s decisions in *United Mine Workers of America v. Gibbs*,<sup>81</sup> *Moore v. New York Cotton Exchange*,<sup>82</sup> and *United States v. Mississippi*.<sup>83</sup> Only *United States v. Mississippi* specifically addressed permissive joinder of parties and Rule 20.

The Eighth Circuit relied upon *Gibbs*’s prudential justifications for expansive pendent jurisdiction.<sup>84</sup> In particular, it quoted the Supreme Court’s statement that the impulse of the Federal Rules of Civil Procedure is “toward entertaining the broadest possible scope of action consistent with fairness to the parties” and that “joinder of claims, parties and remedies is strongly encouraged.”<sup>85</sup> A “strong encouragement” to permit joinder of parties without being unfair toward the parties, however, does not provide any real interpretive guidance regarding Rule 20.

For this guidance, the Eighth Circuit relied upon *Moore*.<sup>86</sup> Although this decision predated the enactment of the Federal Rules of Civil Procedure, the Supreme Court interpreted the term “transaction” in the context of Federal Rule of Equity 30,<sup>87</sup> which governed compulsory counterclaims.<sup>88</sup> In particular, the Supreme Court stated that “[t]ransaction” is a word of flexible meaning. It may comprehend

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<sup>78</sup> *Id.* at 1332–33 (quoting *Moore v. N.Y. Cotton Exch.*, 270 U.S. 593, 610 (1926)).

<sup>79</sup> *Id.* at 1333.

<sup>80</sup> *Id.*

<sup>81</sup> 383 U.S. 715 (1966).

<sup>82</sup> 270 U.S. 593 (1926).

<sup>83</sup> 380 U.S. 128 (1965).

<sup>84</sup> *Mosley*, 497 F.2d at 1332–33.

<sup>85</sup> *Id.* (quoting *Gibbs*, 383 U.S. at 724).

<sup>86</sup> *Id.* at 1333.

<sup>87</sup> Federal Rule of Equity 30 was the precursor to Federal Rule of Civil Procedure 13. See FED. R. CIV. P. 13 advisory committee’s note (“This is substantially [former] Equity Rule 30 . . .”).

<sup>88</sup> See *Moore v. N.Y. Cotton Exch.*, 270 U.S. 593, 609–10 (1926) (interpreting FED. R. EQUITY 30).

a series of many occurrences, depending not so much upon the immediateness of their connection as upon their logical relationship.”<sup>89</sup> The Eighth Circuit relied on this description of a “logical relationship” as the proper interpretation of “transaction” in the context of Rule 20.<sup>90</sup> But what exactly is a “logical relationship”? For that matter, what is an illogical relationship? The Eighth Circuit did not provide any interpretive guidance, let alone any examples, other than its own holding in *Mosley* and the holding of the Supreme Court in *Mississippi*.

The Eighth Circuit noted that its construction of the term “transaction” “accords with the result reached in *United States v. Mississippi*.”<sup>91</sup> It focused on the fact that in the *Mosley* complaint, “[e]ach of the ten plaintiffs alleged that he had been injured by the same general policy of discrimination on the part of General Motors.”<sup>92</sup> It “conclude[d] that a company-wide policy purportedly designed to discriminate against blacks in employment similarly arises out of the same series of transactions or occurrences.”<sup>93</sup> The Eighth Circuit likewise found the common fact or law requirement satisfied.<sup>94</sup>

Despite the lack of interpretive guidance in *Mosley*, at least one scholar (Professor McFarland) has supported the Eighth Circuit’s interpretation of “transaction,” focusing on the “logical relationship” among events.<sup>95</sup> Notably, however, neither the Supreme Court’s nor the Eighth Circuit’s interpretation of the word “transaction” is so broad as to encompass separate actions by separate parties not based on concerted action. In *United States v. Mississippi*, to justify joinder of defendants, the Supreme Court highlighted the plaintiffs’ allegations of a statewide system designed to enforce voter registration laws in a racially discriminatory way.<sup>96</sup> Similarly, in *Mosley*, to justify joinder of plaintiffs, the Eighth Circuit focused on an allegation of the “same general policy of discrimination” by the defendant company.<sup>97</sup> The allegation that separate acts were part of a *statewide system* or a *company-wide policy* was dispositive; these acts qualified as the “same transaction, occurrence, or series of transactions or occurrences” because the cause (in the context of joining multiple defendants) or effect (in the context of joining multiple plaintiffs) of the separate acts

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<sup>89</sup> *Id.* at 610.

<sup>90</sup> *Mosley*, 497 F.2d at 1333.

<sup>91</sup> *Id.*

<sup>92</sup> *Id.*

<sup>93</sup> *Id.* at 1333–34.

<sup>94</sup> *Id.* at 1334.

<sup>95</sup> See *supra* note 62 and accompanying text (describing Douglas D. McFarland’s support for the logical relationship test).

<sup>96</sup> *United States v. Mississippi*, 380 U.S. 128, 142 (1965).

<sup>97</sup> *Mosley*, 497 F.2d at 1333.

was alleged to be the result of concerted action. To the extent these courts looked for a “logical relationship,” they looked no further than concerted action.

## II

### JOINDER OF ACCUSED INFRINGERS IN PATENT INFRINGEMENT LITIGATION PRIOR TO ENACTMENT OF THE AMERICA INVENTS ACT

When compared to the treatment of Rule 20 in some forums, the AIA makes it more difficult to join accused infringers in patent infringement cases and therefore increases costs for patent owners. To make sense of the enactment of § 299, consider the incentives for patent owners to join multiple accused infringers in one lawsuit: Joinder reduces costs for patent owners, increases costs for accused infringers, and facilitates forum shopping by patent owners. Also consider the split of authority among district courts regarding the proper interpretation of Rule 20 in patent infringement cases and the effect of this split of authority on the filing practices of patent owners. As discussed below, these factors likely motivated Congress and the President to enact the joinder provision of the AIA.

#### *A. Incentives for Patent Owners to Join Multiple Accused Infringers in One Lawsuit*

For the most part, patent owners determine which accused infringers to involve in patent infringement cases.<sup>98</sup> Various economic and strategic incentives affect this decision. While conceptually these incentives affect decisionmaking by any type of plaintiff, at least some of these incentives hold unique importance in patent infringement litigation. In addition, some of these incentives—namely, increasing the costs borne by alleged infringers and forum shopping—perniciously affect accused infringers.

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<sup>98</sup> In certain circumstances, accused infringers may file actions seeking declaratory judgments of non-infringement, invalidity, and unenforceability. See *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007) (summarizing the test for whether declaratory judgment actions satisfy the case-or-controversy requirement as “whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment” (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941) (internal quotation marks omitted))). But declaratory judgment actions represent “only a small percentage” of all cases involving allegations of patent infringement. Megan M. La Belle, *Patent Litigation, Personal Jurisdiction, and the Public Good*, 18 *GEO. MASON L. REV.* 43, 45 (2010).

### 1. *Reducing Costs for Patent Owners*

A patent owner, like any other plaintiff, can reduce its own costs by naming multiple accused infringers in one case rather than bringing separate actions, particularly if the separate cases would not otherwise be consolidated. The patent owner benefits by paying only one filing fee;<sup>99</sup> creating economies of scale related to the processing and review of documents produced by accused infringers; avoiding repetitive defensive discovery and briefing; consolidating expert report preparation and discovery; and preparing and bringing fact and expert witnesses to hearings and trials once rather than multiple times.

Beyond the general cost-reduction benefits of joining multiple defendants in one case, joinder in patent infringement cases results in a single claim construction hearing in which a judge receives briefing, hears arguments, and ultimately interprets the patent document to determine the scope of the invention covered by the patent—and, therefore, the right granted by the patent.<sup>100</sup> Joining multiple accused infringers in one lawsuit allows this particularly onerous task to be conducted only once, saving the patent owner time and effort.<sup>101</sup>

All told, from the perspective of a patent owner, efficiency gains associated with joinder may be great. Moreover, for patent owners, there are few apparent downsides associated with naming multiple accused infringers in one lawsuit.<sup>102</sup> Thus, the reduction of costs provides an incentive for a patent owner to name multiple accused infringers in one lawsuit. But the ability to name multiple accused infringers in one lawsuit also creates the potential for abuse, including unnecessarily increasing accused infringers' costs and enabling extreme forms of forum shopping.

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<sup>99</sup> Congress currently requires a plaintiff to pay \$350 to file an action in federal district court. 28 U.S.C. § 1914(a) (2006).

<sup>100</sup> See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388–91 (1996) (holding that judges, rather than juries, construe the meaning of words in patent claims).

<sup>101</sup> Joinder also eliminates the possibility of multiple claim construction hearings in front of different judges, which could result in differing constructions and, ultimately, conflicting judgments.

<sup>102</sup> There are some incentives not to join multiple accused infringers in one lawsuit. One is the ability to conduct a test case and develop helpful precedent quickly and for little cost by targeting a single, underfunded, weak accused infringer. This strategy, however, would not prevent a follow-on lawsuit naming multiple accused infringers. Furthermore, though patent owners may not realize it, the more accused infringers named in one case, the less likely that case is to settle. If the case does not settle, the patent owner is more likely to lose, at least according to one recent empirical study. John R. Allison et al., *Patent Quality and Settlement Among Repeat Patent Litigants*, 99 GEO. L.J. 677, 699–704 (2011). “[A] plausible explanation . . . is that when a patentee sues multiple defendants, the patentee loses control over the case, being forced to trial or judgment even in cases it would prefer to settle, and which it is more likely to lose.” *Id.* at 703.

## 2. *Increasing Costs for Accused Infringers*

Litigation can be expensive, of course, for parties on both sides of the “v.” While joining multiple accused infringers in a single action reduces a patent owner’s costs, joinder may increase costs borne by accused infringers. Indeed, increasing costs for accused infringers cannot be ignored as a strategic reason for a patent owner to name multiple accused infringers in one lawsuit. However, joinder can increase some of the accused infringers’ litigation costs while decreasing others, which may complicate patent owners’ strategic calculus.

From the perspective of accused infringers, joinder can reduce litigation expenses by allowing parties to share costs associated with expensive tasks such as offensive discovery of the patent owner, inventors, and third parties; the processing and review of documents produced by the patent owner, inventors, and third parties; investigations into prior art; retaining and working with experts; and claim construction and other common briefings and presentations.

Joinder, however, also creates costs unique to lawsuits involving multiple accused infringers, exacerbates costs attendant to lawsuits involving one accused infringer, and eliminates many individualized opportunities for discovery and presentation of positions to the court or jury. Indeed, as Magistrate Judge John Love of the Eastern District of Texas recognized, “when multiple parties, multiple patents, multiple claims, and multiple accused products are involved, the costs and complexities [of patent cases] will often increase exponentially.”<sup>103</sup>

Joinder, for example, creates added incentives for each accused infringer to monitor information and activities associated with other accused infringers in an attempt to reduce or eliminate surprise and prejudice caused by the revelation of bad facts or contrary positions at a common hearing or trial. Moreover, joinder creates incentives for—and, in some courts, requires—accused infringers to cooperate, for example, to reduce the number of issues presented to the court, the number of pages presented in briefing, the time required for hearings and trial, and the substantive content of briefing, hearings, and trial presentations. Joinder also reduces the otherwise available

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<sup>103</sup> John D. Love et al., *Complex Patent Cases: Observations from the Bench*, 13 SMU SCI. & TECH. L. REV. 121, 121 (2010). Notably, Judge Love recognizes the increased costs borne by patent owners and courts—not just accused infringers—in patent cases involving multiple accused infringers. In light of these concerns, he provides suggestions regarding case-management and discovery techniques to help courts and parties resolve their disputes in a more efficient manner. *See id.* at 122–37. He does not address the antecedent issue of joinder. *See id.*

number of depositions permitted by the Federal Rules of Civil Procedure, unless the parties agree to modify the default rule.<sup>104</sup>

Particularly in patent infringement cases, parties joined in one lawsuit may also confront problems associated with their competition in the marketplace outside the lawsuit, such as disputes regarding the scope and application of protective orders governing confidential information. Such disputes reflect the simultaneous competing desires both to shield confidential information from other accused infringers so it is not used outside the lawsuit and to share the same information with other accused infringers to coordinate positions in the lawsuit.

Other problems may exist for accused infringers. Collective action problems may be present, including free-riding, lack of coordination, and lack of leadership.<sup>105</sup> Undue prejudice may also result. For example, if a patent owner accuses one defendant of willful infringement, it is at least conceivable that a jury's view of other accused defendants may be tainted by such an allegation, perhaps due to a jury confusing the parties.<sup>106</sup> Joinder certainly eliminates independent decisionmaking regarding discovery, briefing, and strategy related to hearings and trial.

In any particular situation, a patent owner may see joinder as imposing greater costs than benefits on accused infringers. Thus, in certain circumstances the perception of net costs inflicted on accused infringers may provide an incentive for patent owners to name multiple accused infringers in one lawsuit. This situation is particularly troubling because of the possibility that patent owners asserting weak

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<sup>104</sup> See FED. R. CIV. P. 30(a)(2)(A)(i) (requiring leave of court for defendants as a whole to take more than ten depositions). *But cf.* FED. R. CIV. P. 33(a)(1) (allowing each party to serve on any other party up to twenty-five interrogatories); FED. R. CIV. P. 36(a)(1) (allowing each party to serve on any other party an unlimited number of requests for admission).

<sup>105</sup> These collective action problems, including free-riding, "undercut[ ] patent challenges" even outside the context of a lawsuit involving multiple accused infringers. See Joseph Scott Miller, *Joint Defense or Research Joint Venture? Reassessing the Patent-Challenge-Bloc's Antitrust Status*, 2011 STAN. TECH. L. REV. 5, at 3, <http://stlr.stanford.edu/pdf/miller-joint-defense.pdf> (introducing the collective action problem plaguing any patent challenge); see also Joseph Scott Miller, *Building a Better Bounty: Litigation-Stage Rewards for Defeating Patents*, 19 BERKELEY TECH. L.J. 667, 673-76 (2004) (describing the social costs associated with reduced incentive for alleged infringers "to fight a patent case to the finish" given the application of defensive nonmutual issue preclusion to a judgment of invalidity, where "an alleged infringer who wins a patent invalidity judgment earns a benefit not only for itself but for everyone, including those of this winner's competitors who were either practicing the patented technology already or might wish to adopt it in the future").

<sup>106</sup> A district court may, at its discretion, grant up to treble damages after a jury finds willful infringement. *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1274 (Fed. Cir. 1999) (citing 35 U.S.C. § 284 (1994)).

claims of patent infringement may obtain leverage, increasing the number of “strike suits”—cases that settle for less than the cost of defense. Concern over the increase in strike suits may have played a role in the enactment of the new statutory section governing joinder of accused infringers in patent infringement litigation.

This ability to increase accused infringers’ costs through joinder is a concern that deserves particular attention in cases involving “non-practicing entities” or “patent trolls.” To the extent these entities seek licensing revenues based on the high cost associated with defending patent infringement litigation, they will have a natural tendency to seek out opportunities to increase costs borne by accused infringers. Thus, the enactment of § 299 may have been directed toward eliminating the ability of patent trolls to join multiple accused infringers in one lawsuit to increase the magnitude of strike-suit settlements.

### 3. *Joining Accused Infringers as Anchors Supporting Venue*

Patent owners may also join multiple accused infringers in one lawsuit for venue and forum shopping purposes.<sup>107</sup> Forum shopping, of course, is a litigation strategy relevant to any type of litigation; its potential to affect the outcome of a case is well documented.<sup>108</sup> Within patent litigation, however, forum shopping has received particular attention both historically and more recently. In 1982, for example, legislators pointed to forum shopping among the various regional appellate courts as a reason to create the Federal Circuit and vest it with exclusive jurisdiction over appeals in cases with claims arising under the patent laws.<sup>109</sup>

More significant for purposes of a modern analysis of permissive joinder, however, is the recent attention the Federal Circuit has given to forum shopping among various federal district courts and, in

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<sup>107</sup> This third incentive is not necessarily mutually exclusive of the first two incentives. For example, naming multiple accused infringers to anchor a lawsuit in a particular forum may create or exacerbate costs for accused infringers by preventing transfer of the case to a forum more convenient to that accused infringer.

<sup>108</sup> See Kevin M. Clermont & Theodore Eisenberg, *Exorcising the Evil of Forum-Shopping*, 80 CORNELL L. REV. 1507, 1511–12, app. at 1534–35 (1995) (indicating that, in a study of over three million federal cases, plaintiffs’ win rate drops from 58% in non-transferred cases to 29% in transferred cases and that, in a study of over 13,000 patent cases, the plaintiffs’ win rate drops from 65% to 51% after transfer).

<sup>109</sup> See George C. Beighley, Jr., *The Court of Appeals for the Federal Circuit: Has It Fulfilled Congressional Expectations?*, 21 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 671, 705 (2011) (arguing that the consensus of evidence shows that Congress created the Federal Circuit in order “to create a court with subject matter jurisdiction over national issues that would promote uniformity of patent law, eliminate forum shopping in patent cases, and thereby increase and promote technological innovation in the United States”).



particular, in the Eastern District of Texas.<sup>110</sup> Empirical evidence demonstrates that the Eastern District of Texas transferred patent cases as often or more often than federal courts both on a national scale and as compared to other high-volume patent litigation districts.<sup>111</sup> Nonetheless, the Federal Circuit has focused on the perceived inability of accused infringers to escape the Eastern District of Texas. Indeed, since the end of 2008 the Federal Circuit has issued nine writs of mandamus ordering the Eastern District of Texas to transfer patent infringement cases to more convenient forums<sup>112</sup> and one additional writ of mandamus ordering the Eastern District of Texas to reconsider denial of a motion to transfer a patent infringement case to an allegedly more convenient forum.<sup>113</sup>

In response to these transfer orders,<sup>114</sup> a patent owner may name certain accused infringers in a patent infringement lawsuit in an effort to reduce the likelihood that claims against other accused infringers will be transferred to forums more convenient to the other accused

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<sup>110</sup> This Article focuses on the Eastern District of Texas given (1) the high volume of writs of mandamus ordering that court to transfer cases to more convenient forums and (2) the focus on the Eastern District of Texas in the legislative history of the AIA. The Federal Circuit, however, has also recently ordered the District of Delaware to transfer a case to a more convenient forum. See *In re Link\_A Media Devices Corp.*, 662 F.3d 1221, 1225 (Fed. Cir. 2011) (ordering transfer to the Northern District of California). The Federal Circuit held that the fact that a defendant is incorporated in a forum does not, alone, make transfer to an allegedly more convenient forum improper. *Id.* at 1223–24.

<sup>111</sup> See Paul M. Janicke, *Patent Venue and Convenience Transfer: New World or Small Shift?*, 11 N.C. J.L. & TECH. ONLINE 1, 19–22 (2009), <http://www.ncjolt.org/sites/default/files/Janicke.pdf> (showing a higher patent transfer rate in the Eastern District of Texas compared to rates nationally and in high-volume district courts). On the other hand, the Eastern District of Texas has granted motions to transfer in patent cases less often than other courts. See *id.* at 22–23; see also Iancu & Chung, *supra* note 31, at 314 (“[T]he Eastern District of Texas has historically had among the lowest venue-transfer win rates.”).

<sup>112</sup> *In re Morgan Stanley*, 417 F. App’x 947, 948 (Fed. Cir. 2011); *In re Verizon Bus. Network Servs. Inc.*, 635 F.3d 559, 562 (Fed. Cir. 2011); *In re Microsoft Corp.*, 630 F.3d 1361, 1365 (Fed. Cir. 2011); *In re Acer Am. Corp.*, 626 F.3d 1252, 1256 (Fed. Cir. 2010); *In re Zimmer Holdings, Inc.*, 609 F.3d 1378, 1382 (Fed. Cir. 2010); *In re Nintendo Co.*, 589 F.3d 1194, 1201 (Fed. Cir. 2009); *In re Hoffmann-La Roche Inc.*, 587 F.3d 1333, 1338 (Fed. Cir. 2009); *In re Genentech, Inc.*, 566 F.3d 1338, 1348–49 (Fed. Cir. 2009); *In re TS Tech USA Corp.*, 551 F.3d 1315, 1323 (Fed. Cir. 2008).

<sup>113</sup> *In re Oracle Corp.*, 399 F. App’x 587, 590 (Fed. Cir. 2010).

<sup>114</sup> The Federal Circuit issued these opinions relatively soon after the Fifth Circuit, in an en banc opinion, clarified its law governing motions to transfer to more convenient forums. See *In re Volkswagen of Am., Inc.*, 545 F.3d 304 (5th Cir. 2008) (en banc). The Federal Circuit applied Fifth Circuit law in these cases because the Eastern District of Texas sits in the Fifth Circuit, and the question of the appropriateness of transfer to a more convenient forum does not involve substantive issues of patent law. *In re TS Tech USA Corp.*, 551 F.3d at 1319. The Federal Circuit’s focus on transfer for reasons of convenience, however, is not limited to cases involving the Eastern District of Texas. See, e.g., *In re Link\_A Media Devices Corp.*, 662 F.3d at 1225 (ordering the District of Delaware to transfer a patent infringement case based on relative convenience).

infringers.<sup>115</sup> For example, if a patent owner names a number of accused infringers in a complaint filed in the Eastern District of Texas, where at least one of the accused infringers is headquartered in or near the Eastern District of Texas or has significant ties to that district, the patent owner may be able to avoid transfer.<sup>116</sup> Accused infringers with ties to a forum may therefore serve as anchors during a transfer analysis, creating an incentive for patent owners to name as co-defendants accused infringers with ties to the Eastern District of Texas, for example, along with accused infringers without such ties.<sup>117</sup>

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<sup>115</sup> This situation is analogous to a plaintiff naming a non-diverse defendant in a complaint filed in state court to prevent removal to federal court based on lack of complete diversity. The Supreme Court developed the doctrine of fraudulent joinder to address this strategy. *See, e.g.,* *Wecker v. Nat'l Enameling & Stamping Co.*, 204 U.S. 176, 179–86 (1907) (affirming refusal to remand a case because the lower court did not err in finding that the real purpose in joining a non-diverse defendant was to prevent the exercise of the right to removal by a diverse defendant); *Ala. Great S. Ry. Co. v. Thompson*, 200 U.S. 206, 217 (1906) (stating that “the right to remove depended upon the case made in the complaint against both defendants jointly, and that right *in the absence of a showing of fraudulent joinder*, did not arise from the failure of the complainant to establish a joint cause of action” (emphasis added)). Pursuant to this doctrine, federal district courts may assume jurisdiction over cases meeting the amount-in-controversy requirement despite the absence of complete diversity between adverse parties when there is no possibility of recovery against non-diverse defendants in state court. *See* Matthew J. Richardson, *Clarifying and Limiting Fraudulent Joinder*, 58 FLA. L. REV. 119, 133–34 (2006) (describing ways a removing defendant may show fraudulent joinder).

<sup>116</sup> *See, e.g., In re Google Inc.*, 412 F. App'x 295 (Fed. Cir. 2011) (denying petition for writ of mandamus to order the Eastern District of Texas to transfer the entire action, or to sever and transfer the petitioner's claims, to the Northern District of California because four defendants were headquartered in the Eastern District of Texas, despite the district court's acknowledgement that the Northern District of California would have been more convenient for the seven defendants residing there). The strategy of naming local defendants in addition to non-local defendants, however, is not always successful. *See, e.g.,* *LG Elecs. Inc. v. First Int'l Computer, Inc.*, 138 F. Supp. 2d 574, 582–93 (D.N.J. 2001) (severing claims among defendants, transferring claims against foreign defendants, and staying claims against local “peripheral” defendant); *Gold v. Burton Co.*, 949 F. Supp. 208, 209–10 (S.D.N.Y. 1996) (severing and transferring the main proceeding because the plaintiff “joined an alleged infringer who has no real connection with the case except being downstream of the real defendant in the distribution chain for the manifest purpose of insisting upon an inconvenient venue with which the plaintiff himself has no genuine tie”); *see also* *Shifferaw v. Emson USA*, No. 2:09-CV-54-TJW-CE, 2010 WL 1064380, at \*1, \*6 (E.D. Tex. Mar. 18, 2010) (ordering severance and transfer despite joinder of local defendant); *Calmedica, LLC v. Novoste Corp.*, No. 03-C-3924, 2004 WL 413296, at \*1–3 (N.D. Ill. Jan. 30, 2004) (same). Moreover, transparent attempts to game the system may abuse local businesses and generate negative publicity. *See, e.g.,* *Zusha Elinson, IP Forum Shoppers: Any Excuse for Texas*, THE RECORDER, July 23, 2009, available at LEXIS Legal News Library (describing small businesses in the Eastern District of Texas as “absurd pawns in the patent litigation venue-shopping game”).

<sup>117</sup> Members of the Supreme Court's Advisory Committee considered the appropriateness of venue as a legitimate part of a joinder analysis. When considering permissive joinder, the committee noted that a prior English rule excluded actions for the recovery of land, possibly because of concerns regarding venue and a theory that such actions must be tried near the land in question. NOVEMBER 1935 PROCEEDINGS, *supra* note 39, at 478.

By reducing the likelihood of transfer by joining accused infringers with ties to the forum, the patent owner may reduce its own costs and increase costs borne by accused infringers. The patent owner may also bolster its negotiating position by utilizing a forum more favorable to it in particular and perhaps, more generally, favorable to patent owners as a class of litigants.<sup>118</sup> Congress and the President may have viewed the joinder provision in the AIA as a way to combat this forum-shopping strategy.

### *B. Identifying Misjoinder: The Split of Authority*

Another significant consideration with respect to reasons for enactment of § 299 is the prior disparate treatment of Rule 20 in patent infringement cases among various district courts and, indeed, among judges within the Eastern District of Texas.<sup>119</sup>

#### *1. MyMail, Ltd. v. America Online, Inc. and Its Progeny*

On one end of the spectrum lie decisions that allowed practically unlimited joinder of accused infringers. The leading opinion on this

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Rule 20 by its terms applies to joinder of “[p]ersons—as well as a vessel, cargo, or other property subject to admiralty process in rem” and therefore, like its English predecessor, does not apply to actions for the recovery of land. FED. R. CIV. P. 20(a).

<sup>118</sup> See Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889, 916–23 (2001) (analyzing whether patent holder win rates vary by district and concluding that “[p]atent holders have a significantly higher win rate when they file suit and thereby choose the forum”).

<sup>119</sup> Parties have litigated the question of the appropriateness of joinder of accused infringers in many patent infringement cases in the last few years. But this question is not unique to patent infringement cases—for example, it has been a frequent question in cases relating to alleged improper use of television transmissions. See, e.g., *DIRECTV, Inc. v. Barrett*, 220 F.R.D. 630, 632 (D. Kan. 2004) (denying motion to sever for misjoinder after recognizing that “numerous district courts across the nation have ordered severance of claims in DIRECTV cases. . . . But other courts have also declined to sever the claims”); *DIRECTV, Inc. v. Hosey*, 289 F. Supp. 2d 1259, 1262 (D. Kan. 2003) (denying motion for severance for misjoinder because it would serve “no useful purpose” given the likelihood that the cases would be consolidated for discovery purposes); *DIRECTV, Inc. v. Perez*, No. 03-C-3504, 2003 WL 22682344, at \*1 (N.D. Ill. Nov. 12, 2003) (finding misjoinder even though the “transactions are logically related to one another in the same way that purchases of milk from the grocery store are logically related to one another: each transaction involves a transaction in a similar good for a similar purpose” because “[b]eyond that, the similarities end”); *DIRECTV, Inc. v. Loussaert*, 218 F.R.D. 639, 642–44 (S.D. Iowa 2003) (granting motion to sever in the absence of a “transactional link” other than the allegation that all defendants violated the same statutes); *DIRECTV, Inc. v. Armellino*, 216 F.R.D. 240, 241 (E.D.N.Y. 2003) (dismissing claims against all but one defendant because the claims “turn on the fact-specific question of whether each defendant intercepted DIRECTV’s broadcasts” and because “DIRECTV does not plead any facts which indicate that there is any connection whatsoever among the various defendants”). What is unique is the response: repealing Rule 20 in most patent infringement lawsuits and replacing it with a statutory section placing new limitations on permissive joinder of parties. See Leahy-Smith America Invents Act § 19(d), 35 U.S.C. § 299 (Supp. V 2012).

end of the spectrum is *MyMail, Ltd. v. America Online, Inc.*, authored by Judge Leonard Davis of the Eastern District of Texas.<sup>120</sup> In this case, the court rejected the accused infringers' request "to follow a handful of district court cases that purportedly hold [that] acts of infringement by separate defendants do not satisfy the same transaction requirement."<sup>121</sup> Instead, the court relied upon the logical relationship test and, in particular, an interpretation of that test requiring "some nucleus of operative facts or law."<sup>122</sup> The court focused on the goals of Rule 20<sup>123</sup> and ultimately stated that "[i]t is possible that severance could be appropriate if the [accused infringers'] methods or products were dramatically different."<sup>124</sup> Based on this focus on whether the methods or products were "dramatically different," the court maintained that its holding was "not incompatible" with the holding of other cases from other districts.<sup>125</sup> It decided it was not in a

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<sup>120</sup> 223 F.R.D. 455 (E.D. Tex. 2004). Notably, the question of misjoinder of accused infringers in patent infringement cases has been litigated since at least the nineteenth century. *See, e.g.*, *Consol. Car-Heating Co. v. W. End St. Ry. Co.*, 85 F. 662, 663 (1st Cir. 1898) (rejecting claim of misjoinder of accused infringers when the patent owner alleged conspiracy and joint infringement and the court dismissed all claims against accused infringers other than the appellant).

<sup>121</sup> *MyMail, Ltd.*, 223 F.R.D. at 456 n.1 (citing *Philips Elecs. N. Am. Corp. v. Contec Corp.*, 220 F.R.D. 415 (D. Del. 2004); *Pergo, Inc. v. Alloc, Inc.*, 262 F. Supp. 2d 122 (S.D.N.Y. 2003); *Androphy v. Smith & Nephew, Inc.*, 31 F. Supp. 2d 620 (N.D. Ill. 1998); *N.J. Mach. Inc. v. Alford Indus. Inc.*, No. 89-1879 (JCL), 1991 WL 340196 (D.N.J. Oct. 7, 1991), *aff'd*, 983 F.2d 1087 (Fed. Cir. 1992); *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 564 F. Supp. 1358 (D. Del. 1983)). The court rejected the position that infringement by different defendants does not satisfy Rule 20's "same transaction" requirement, finding this interpretation to be "a hypertechnical one that perhaps fails to recognize the realities of complex, and particularly patent, litigation." *MyMail, Ltd.*, 223 F.R.D. at 457. The court explained: "In essence, the [defendants] advocate a rule that requires separate proceedings simply because unrelated defendants are alleged to have infringed the same patent. The Court disagrees with such a per se rule that elevates form over substance." *Id.* This characterization of the defendants' position seems to ignore or at least downplay the fact that severance does not necessarily require separate proceedings in light of the ability to consolidate cases for pretrial purposes pursuant to Rule 42 or the Multidistrict Litigation Panel and, at least before the enactment of the AIA, for trial pursuant to Rule 42. *See infra* Part IV.D.

<sup>122</sup> *MyMail, Ltd.*, 223 F.R.D. at 456 (citing *Hanley v. First Investors Corp.*, 151 F.R.D. 76, 79 (E.D. Tex. 1993)). While the court cited *Hanley* for support, that decision analyzed permissive joinder of plaintiffs rather than defendants. *Hanley*, 151 F.R.D. at 77.

<sup>123</sup> *See MyMail, Ltd.*, 223 F.R.D. at 457 ("Such an interpretation does not further the goals of Rule 20, especially for discovery and motion purposes."). This analysis appears to recognize some but not all of the competing policies advocated by members of the Advisory Committee during their deliberations over Rule 20. *See supra* Part I.A.2 (analyzing competing objectives and policies of the Advisory Committee, including members who favored restraints on joinder).

<sup>124</sup> *MyMail, Ltd.*, 223 F.R.D. at 457.

<sup>125</sup> *Id.* The court explained that some prior opinions do not indicate whether the alleged acts of infringement are "different" because they are separate acts or because they are dissimilar. It explained that one prior opinion focuses on dissimilarity of products and, to a

position to determine whether the accused methods or products were dramatically different because fact discovery was not complete.<sup>126</sup> The court also refused to exercise its discretion under Rule 21 to sever the parties based on its view that "[t]he joinder rules were created to increase judicial efficiency" and its conclusion that severance would "decrease judicial efficiency by requiring duplicitous claim constructions, discovery, and pretrial motions."<sup>127</sup>

Three aspects of the *MyMail* opinion deserve examination. First, consider the substantive standard the court articulates. By interpreting the "same transaction" requirement as allowing joinder of parties when there is a "nucleus of operative facts or law,"<sup>128</sup> the court effectively joins the first and second requirements of Rule 20 (the "transaction" and the "common question of fact or law" requirements) into one test. The test the court applies, however, turns on its interpretation of a "nucleus of operative facts or law" in the context of a patent infringement lawsuit. In particular, the court allows joinder of parties so long as the products or methods of the accused infringers are not "dramatically different." This is a very liberal test for the appropriateness of joinder of accused infringers. That is, for the court to find misjoinder, it must find *dramatic* differences, not just differences. Note too that this analysis focuses on the accused infringers' products and methods, not the concept that the accused infringers allegedly infringe the same patent.<sup>129</sup>

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lesser extent, whether the alleged infringers' acts were connected. It distinguished another case because the decision to sever the case was made after discovery was complete. It further explained that one prior opinion adopts a per se rule that unrelated defendants require separate proceedings. *Id.*

<sup>126</sup> *Id.*

<sup>127</sup> *Id.* at 457–58.

<sup>128</sup> *Id.* at 456.

<sup>129</sup> An alternative way to analyze joinder of accused infringers under Rule 20 is to focus on the fact that each allegation of infringement arises with respect to the issuance of a particular patent, where the patent's issuance by the U.S. Patent and Trademark Office qualifies as "the same transaction, occurrence, or series of transactions or occurrences." FED. R. CIV. P. 20(a)(2). All of the cases analyzing permissive joinder of parties in patent infringement litigation, however, focus on the alleged acts of infringement, rather than the act of patent issuance; this is probably appropriate. In this regard, a patent is like a criminal statute, where the claims of the patent define the elements required to be proven to conclude that a "crime" of infringement occurred. It seems unlikely that a court would allow the government to prosecute every person alleged of violating a particular criminal statute in one case. Indeed, the Advisory Committee collectively scoffed at the notion that the government could sue every delinquent taxpayer in the same lawsuit. NOVEMBER 1935 PROCEEDINGS, *supra* note 39, at 466. The question of infringement of the patent claim can be viewed as a common question of fact, and the question of the validity of the patent claim involves a common question of fact (for example, anticipation) and law (for example, obviousness). A common question, however, is insufficient for joinder of parties given the same transaction requirement.

Second, consider the procedural mechanism the *MyMail* court adopted for determining the appropriateness of joinder. It required the party alleging misjoinder to prove that the accused products or methods were “dramatically different” based on evidence, not allegation.<sup>130</sup> By doing so, it effectively produced two presumptions, only one of which was rebuttable. First, it created an irrebuttable presumption that joinder of accused infringers through the end of discovery was appropriate. Second, it created a presumption that joinder of accused infringers through trial was appropriate. This second presumption was rebuttable, but not until fact discovery was complete. Thus, accused infringers would remain joined in lawsuits until the close of fact discovery—after the patent owner had been afforded opportunities to develop its own evidence that the accused methods or products were not dramatically different.<sup>131</sup> Of course, many accused infringers might settle by that time. Furthermore, once fact discovery is complete, many bases for severance—for example, inefficiencies and prejudice from joinder—may no longer exist. Moreover, requiring joinder to turn on evidentiary considerations turns the analysis away from the sufficiency of allegations in the complaint. Given the timing of the analysis, the joinder determination would focus largely on severance for trial rather than severance for any other purpose, such as individualized discovery or convenient discovery.

Third, consider the *MyMail* court’s justification for its holding: judicial efficiency. The court adopted a liberal standard for its analysis of permissive joinder of accused infringers based almost exclusively on preferred policy considerations rather than on a textual analysis of Rule 20. The court telegraphed as much when it referenced, but did not list, the “goals” of Rule 20 and concluded that “the record before the Court does not show that the products or methods at issue are so different that determining infringement in one case is less proper or efficient than determining infringement in multiple cases.”<sup>132</sup> The liberal nature of this standard was consistent with some of the Advisory Committee members’ views of permissive joinder,<sup>133</sup> and its basis was consistent with Professor Kane’s view that policy considerations

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<sup>130</sup> *MyMail, Ltd.*, 223 F.R.D. at 457.

<sup>131</sup> The court’s articulation of the standard it applies, at least facially, does not turn on the fact that the accused infringers allegedly infringe the same patent. The reality, however, is that the simple allegation of infringement of the same patent creates the irrebuttable presumption that joinder through the end of discovery is appropriate and the rebuttable presumption that joinder through trial is appropriate.

<sup>132</sup> *Id.*

<sup>133</sup> See *supra* notes 44, 47 and accompanying text (addressing goals of Advisory Committee members who sought to liberalize joinder).

should dictate the application of Rule 20 in any particular case.<sup>134</sup> But this justification did not take into account other Advisory Committee members' concerns regarding costs and prejudices levied upon defendants.<sup>135</sup> Moreover, the *MyMail* court did not evaluate inefficiencies associated with joinder generally or with patent infringement cases particularly, nor did it consider costs connected with forum shopping.<sup>136</sup>

Opinions issued by the Eastern District of Texas, the Northern District of Texas, the District of Kansas, and the Eastern District of Louisiana cited *MyMail* and its progeny approvingly and found joinder appropriate in patent infringement cases.<sup>137</sup> Moreover, opinions outside the context of patent infringement litigation both in the Eastern District of Texas and elsewhere also cited *MyMail* and relied on it to analyze the question of permissive joinder of parties.<sup>138</sup> Still other courts reached similar conclusions regarding joinder without citing *MyMail*.<sup>139</sup> All of these cases reflect the position advocated by Judge Clark after the Advisory Committee's deliberations concerning the Federal Rules of Civil Procedure: that joinder of parties effectively should not be restricted based on the same transaction requirement.<sup>140</sup>

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<sup>134</sup> See Kane, *supra* note 12, at 1747 ("It is possible to arrive at an appropriate definition in a given case only by considering whether the proposed scope of a transaction will meet the objectives and policies underlying the standard that is involved.").

<sup>135</sup> See *supra* notes 45, 47 and accompanying text (addressing goals of Advisory Committee members who sought to place restraints on joinder).

<sup>136</sup> See *supra* Parts II.A.2–3 (analyzing inefficiencies and forum shopping related to joinder practices by patent owners).

<sup>137</sup> See, e.g., *Eolas Techs., Inc. v. Adobe Sys., Inc.*, No. 6:09-CV-446, 2010 WL 3835762, at \*2 (E.D. Tex. Sept. 28, 2010) (citing *MyMail* and denying severance); *Alford Safety Servs., Inc. v. Hot-Hed, Inc.*, No. 10-1319, 2010 WL 3418233, at \*9–10 (E.D. La. Aug. 24, 2010) (same); *Mannatech, Inc. v. Country Life, LLC*, No. 3:10-CV-533-O, 2010 WL 2944574, at \*1–2 (N.D. Tex. July 26, 2010) (denying severance and citing *Adrain v. Genetec Inc.*, No. 2:08-CV-423, 2009 WL 3063414, at \*2–3 (E.D. Tex. Sept. 22, 2009)); *Adrain*, 2009 WL 3063414, at \*2–3 (citing *MyMail* and denying severance); *Centre One v. Vonage Holdings Corp.*, No. 6:08CV467, 2009 WL 2461003, at \*7 (E.D. Tex. Aug. 10, 2009) (same); *Sprint Commc'ns Co. v. Theglobe.com, Inc.*, 233 F.R.D. 615, 617–18 (D. Kan. 2006) (same).

<sup>138</sup> See, e.g., *DZ Bank AG Deutsche Zentral-Genossenschaftsbank v. All Gen. Lines Ins., LLC*, No. 10-02126-JAR-JPO, 2010 WL 4683583, at \*6 nn.31, 36 (D. Kan. Nov. 10, 2010) (opinion in loan enforcement case citing *MyMail*); *Coll v. Abaco Operating LLC*, No. 2:08-CV-345 (TJW), 2009 WL 2857821, at \*2–3 (E.D. Tex. Sept. 1, 2009) (opinion in oil and gas case citing *MyMail*); *In re Elrod Holdings Corp.*, 385 B.R. 806, 812 (Bankr. D. Del. 2008) (opinion in bankruptcy case citing *MyMail*).

<sup>139</sup> See, e.g., *SRI Int'l, Inc. v. Internet Sec. Sys., Inc.*, No. 04-1199-SLR, 2005 WL 851126, at \*4 (D. Del. Apr. 13, 2005) (denying motion to sever when "all of the patents asserted arise out of computer network protection systems" and noting that "patents over the same technology often give rise to the same questions of law and fact").

<sup>140</sup> Professor Bone describes Judge Clark's views during the deliberations as follows:

## 2. *Opinions Restricting Joinder of Accused Infringers*

On the other end of the spectrum lie cases that limited joinder of accused infringers. These opinions adopted various interpretations of Rule 20, but ultimately applied those interpretations to restrict joinder of accused infringers.<sup>141</sup> One example is *WiAV Networks, LLC v. 3Com Corp.*<sup>142</sup> In this case, Judge William Alsup of the Northern

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Charles Clark and James Moore, Clark's research assistant—the two persons most responsible for drafting the federal joinder rules . . . downplayed the practical significance of Rule 20(a)'s commonality requirements. For example, Judge Clark noted that the Advisory Committee would probably not have objected to unlimited party joinder and that the commonality restrictions made no practical difference because Rule 20(a) was broad enough to allow joinder "in any case where anybody would ever think of joinder."

Bone, *supra* note 56, at 105 (quoting Charles E. Clark, *Fundamental Changes Effected by the New Federal Rules I*, 15 TENN. L. REV. 551, 569 (1939)); see also RULES OF CIVIL PROCEDURE FOR THE DISTRICT COURTS OF THE UNITED STATES 261 (William W. Dawson ed. 1938) ("[T]he test which has come to be called the 'common question of law or fact test' has been adopted and is stated in these rules. . . . I think this is the most important part of the test—if any question of law or fact common to all of them will arise in the action."); Charles E. Clark, *The Texas and the Federal Rules of Civil Procedure*, 20 TEX. L. REV. 4, 8–9 (1941) (stating "dogmatically that the joinder rules are very good" while criticizing a Texas counterclaim rule that, like Rule 20, turned on identifying claims "arising out of the same transaction," . . . which led to so much useless litigation"). The Advisory Committee's deliberations fairly demonstrate that Judge Clark was incorrect in asserting that the committee would not have objected to unlimited joinder of parties. NOVEMBER 1935 PROCEEDINGS, *supra* note 39, at 461–515.

<sup>141</sup> See, e.g., *Joao Control & Monitoring Sys. of Cal. v. ACTI Corp.*, No. SA CV 10-01909 DOC, 2011 WL 1519277, at \*1 (C.D. Cal. Apr. 19, 2011) ("In patent infringement cases against multiple infringers of the same patent, the 'same transaction' test is met when the multiple alleged infringers acted in concert with each other when they produced, sold, or distributed the same allegedly infringing device."); *Rudd v. LUX Prods. Corp.*, No. 09-cv-6957, 2011 WL 148052, at \*2–4 (N.D. Ill. Jan. 12, 2011) (granting motion to sever because unrelated defendants, based on different acts, were alleged to have infringed the same patent); *Spread Spectrum Screening, LLC v. Eastman Kodak Co.*, No. 10 C 1101, 2010 WL 3516106, at \*2 (N.D. Ill. Sept. 1, 2010) ("[J]oinder is often improper where two competing businesses have allegedly infringed the same patent by selling different products."); *Reid v. Gen. Motors Corp.*, 240 F.R.D. 260, 263 (E.D. Tex. 2007) (indicating that allegations of infringement against unrelated parties based on different acts do not arise from the same transaction); *Pergo, Inc. v. Alloc, Inc.*, 262 F. Supp. 2d 122, 128 (S.D.N.Y. 2003) ("[T]he fact that two parties may manufacture or sell similar products, and that these sales or production may have infringed the identical patent owned by the plaintiffs is not sufficient to join unrelated parties as defendants in the same lawsuit pursuant to Rule 20(a)."); *N.J. Mach., Inc. v. Alford Indus., Inc.*, No. 89-1879 (JCL), 1991 WL 340196, at \*1 (D.N.J. Oct. 7, 1991) ("Infringement of the same patent by different machines and parties does not constitute the same transaction or occurrence to justify joinder of the new defendants."); *aff'd*, 983 F.2d 1087 (Fed. Cir. 1992); *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 564 F. Supp. 1358, 1371 (D. Del. 1983) ("Allegations of infringement against two unrelated parties based on different acts do not arise from the same transaction.")

<sup>142</sup> No. C 10-03448 WHA, 2010 WL 3895047 (N.D. Cal. Oct. 1, 2010). Interestingly, the Eastern District of Texas transferred this case to the Northern District of California. *Id.* at \*1.



District of California issued a show cause order questioning whether the plaintiff–patent owner had misjoined accused infringers by naming sixty-eight defendants, forty of whom remained in the case at the time of the resolution of the show cause order.<sup>143</sup> The court noted that “the vast majority [of the accused infringers] . . . are wholly unrelated companies with wholly unrelated products,” highlighted the absence of any allegation of concerted action to infringe any of the patents-in-suit, and concluded that the accused infringers shared no common transaction or occurrence.<sup>144</sup>

The court recognized the patent owner’s “bone-crushing burden of individualized methods of proof unique to each product,” focused attention on the absence of either a conspiracy claim or an allegation that one defendant induced another to infringe, and observed that “[e]ach defendant has simply been thrown into a mass pit with others to suit plaintiff’s convenience.”<sup>145</sup> It recognized that accused infringers “will surely have competing interests and strategies” and “are also entitled to present individualized assaults on questions of non-infringement, invalidity, and claim construction.”<sup>146</sup>

The *WiAV* court rejected the argument that adherence to a common protocol constitutes a “logical[ ] connect[ion]” sufficient for joinder because, “[e]ven if each of the accused devices is compliant with the . . . protocol, it is far from a foregone conclusion that the asserted claims in [the plaintiff’s] patents will cover *all* implementations of the protocol.”<sup>147</sup> Indeed, the patent owner conceded that “there would be slight differences in hardware and software components involved” and did not show “that practicing the asserted patents is essential to complying with the protocol in all instances.”<sup>148</sup> The court concluded that the “plaintiff cannot escape the fact that it is suing unrelated and competing defendants for their own independent acts of patent infringement.”<sup>149</sup>

The *WiAV* court stated that other decisions cited by the plaintiff addressing permissive joinder, including *MyMail*,<sup>150</sup> “avoid[ ] the question of how the infringing conduct of different defendants with different products, *acting separately*, can involve or arise out of ‘the same

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<sup>143</sup> *Id.* at \*1.

<sup>144</sup> *Id.*

<sup>145</sup> *Id.* at \*2.

<sup>146</sup> *Id.*

<sup>147</sup> *Id.*

<sup>148</sup> *Id.* (internal quotation marks omitted).

<sup>149</sup> *Id.* at \*3.

<sup>150</sup> Plaintiff’s Memorandum of Points and Auths. in Response to the Court’s Order to Show Cause at 6, *WiAV Networks, LLC v. 3Com Corp.*, No. C 10-03448 WHA, 2010 WL 3895047 (N.D. Cal. Oct. 1, 2010).

transaction, occurrence, or series of transactions or occurrences.”<sup>151</sup> While the *WiAV* court conceded that, as discussed in *MyMail*, “some claim construction issues will overlap,” it rejected the position that joinder was appropriate to consolidate claim construction in one court because “claim-construction work must be adapted to the actual issues being litigated over the varying accused devices.”<sup>152</sup> In the end, the court suggested that any efficiencies gained from joinder would be outweighed by the concomitant inefficiencies: “In short, whatever common issues may exist from device to device will be overwhelmed by the individual issues of claim construction, damages, willfulness, and discovery supervision.”<sup>153</sup>

The opinion in *WiAV* is as notable as the decision in *MyMail*, and not just because of the striking difference in tone and result. The *WiAV* opinion set forth a different substantive standard, described a contrary procedural mechanism, and articulated different policy considerations. First, consider the substantive standard. The court repeatedly focused on whether the patent owner had named defendants that were related companies with related products, acting in concert with respect to the alleged infringement. And it effectively required that *no* differences—as opposed to the *no dramatic* differences test of *MyMail*<sup>154</sup>—exist among accused products for joinder to be proper.

Second, consider the procedural mechanism for resolving the question of misjoinder. The court resolved the question early in the case, using a show cause order, long before the close of fact discovery. Perhaps because of this timing, the court focused on claims and allegations rather than requiring evidence proving these claims and allegations.

Third, note the host of policy considerations identified in the *WiAV* opinion. The court did not focus exclusively on the plaintiff’s convenience. It referenced preservation of the accused infringers’ “entitlement” to present individualized defenses and claim construction positions. It rejected a policy-based argument that consolidated claim construction proceedings would be efficient. It also weighed efficiencies associated with common issues against inefficiencies caused by individual issues. The court ultimately concluded that the benefit from adjudicating common issues together would be

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<sup>151</sup> *WiAV Networks, LLC v. 3Com Corp.*, No. C 10-03448 WHA, 2010 WL 3895047 (N.D. Cal. Oct. 1, 2010) (quoting FED. R. CIV. P. 20(a)(2)).

<sup>152</sup> *Id.* (“[D]ifferences in the products themselves will provoke differences in which words and slants in the claim language really matter [to defendants].”).

<sup>153</sup> *Id.*

<sup>154</sup> *MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455, 457 (E.D. Tex. 2004).

overwhelmed by the individual issues, given the nature of the infringement allegations and the accused infringers.

Beyond *WiAV*, there are many cases that found misjoinder of accused infringers or refused to allow joinder of accused infringers. Like *WiAV*, some courts found misjoinder when accused products were merely different,<sup>155</sup> a lower threshold than the “dramatically different” standard of *MyMail*. Some courts refused to allow joinder of unrelated accused infringers even if their products were similar<sup>156</sup> or nearly identical.<sup>157</sup> For these courts, *any* difference was enough to prevent joinder. For example, in *Rudd v. LUX Prods. Corp.*,<sup>158</sup> the Northern District of Illinois rejected the argument that joinder was proper even though the accused products “operate[d] in a nearly identical manner as it relates to the asserted patents” and the defendants’ affirmative defenses and counterclaims were “nearly identical.”<sup>159</sup>

Some courts required a connection between the accused infringers to permit joinder.<sup>160</sup> Indeed, some courts identified cooperation, concerted action, or collusion as necessary elements for

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<sup>155</sup> See, e.g., *ThurmaPure, Inc. v. Temp-Air, Inc.*, No. 10-cv-4724, 2010 WL 5419090, at \*3 (N.D. Ill. Dec. 22, 2010) (“[T]he fact that the defendants manufacture, sell, and market different products and methods weighs against joinder.”); *Children’s Network, LLC v. Pixfusion LLC*, 722 F. Supp. 2d 404, 415 (S.D.N.Y. 2010) (“Joinder of unrelated parties into one action is generally inappropriate where, as here, the infringement of the same patent is alleged, but the products are different.”); *N.J. Mach., Inc. v. Alford Indus., Inc.*, No. 89-1879 (JCL), 1991 WL 340196, at \*1 (D.N.J. Oct. 7, 1991) (“Infringement of the same patent by different machines and parties does not constitute the same transaction or occurrence to justify joinder of the new defendants.”), *aff’d*, 983 F.2d 1087 (Fed. Cir. 1992); *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 564 F. Supp. 1358, 1371 (D. Del. 1983) (“Allegations of infringement against two unrelated parties based on different acts do not arise from the same transaction.”).

<sup>156</sup> See, e.g., *Rudd v. LUX Prods. Corp.*, No. 09-cv-6957, 2011 WL 148052, at \*3 (N.D. Ill. Jan. 12, 2011) (“Simply alleging that Defendants manufacture or sell similar products does not support joinder under Rule 20.”); *Pergo, Inc. v. Alloc, Inc.*, 262 F. Supp. 2d 122, 128 (S.D.N.Y. 2003) (“[T]he fact that two parties may manufacture or sell similar products, and that these sales or production may have infringed the identical patent owned by the plaintiffs is not sufficient to join unrelated parties as defendants in the same lawsuit pursuant to Rule 20(a).”).

<sup>157</sup> See *Rudd*, 2011 WL 148052, at \*2 (rejecting the argument that the “transaction or occurrence” prong of Rule 20 is met when “accused [products] operate in a nearly identical manner as it relates to the asserted patents”).

<sup>158</sup> *Id.*

<sup>159</sup> *Id.*

<sup>160</sup> See, e.g., *Philips Elecs. N. Am. Corp. v. Contec Corp.*, 220 F.R.D. 415, 416–18 (D. Del. 2004) (while the plaintiff argued that the two defendants’ products “function identically for purposes of an infringement analysis,” the court did not analyze the purported similarity between the products and instead rejected joinder because “the only connection between [the two defendants] is that they may have infringed the same patents . . . which is an insufficient basis to join unrelated parties as defendants in the same lawsuit”); *Paine, Webber, Jackson & Curtis, Inc.*, 564 F. Supp. at 1371 (rejecting joinder because “there is no allegation that the acts of infringement are connected in any manner”).

joinder.<sup>161</sup> Another district court's opinion focused on whether there was a reasonable inference of a common scheme of infringement.<sup>162</sup> But many courts required both (1) cooperation, concerted activity, collusion, or a common scheme of infringement and (2) the absence of differences among the accused methods or products.<sup>163</sup>

Many of these opinions expressly rejected the holding of *MyMail*. For example, the *Rudd* court stated that *MyMail* "eviscerates the same transaction or occurrence requirement and makes it indistinguishable from the requirement that there be a common question of law or fact."<sup>164</sup> The *Rudd* court further stated its view that "*MyMail*'s approach is in the minority" and that numerous courts have concluded that a party fails to satisfy the transaction requirement "where unrelated defendants, based on different acts, are alleged to have infringed the same patent."<sup>165</sup>

Outside the context of patent infringement litigation, various courts have imposed similar restrictions on the ability to join multiple parties in one case. Consider copyright infringement lawsuits and

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<sup>161</sup> See, e.g., *Joao Control & Monitoring Sys. of Cal. v. ACTI Corp.*, No. SA CV 10-01909 DOC, 2011 WL 1519277, at \*1 (C.D. Cal. Apr. 19, 2011) ("In patent infringement cases against multiple infringers of the same patent, the 'same transaction' test is met when the multiple alleged infringers acted in concert with each other when they produced, sold, or distributed the same allegedly infringing device."); *Pergo, Inc.*, 262 F. Supp. 2d at 128 ("[T]here are no allegations of any cooperative or collusive relationship between the two sets of defendants.").

<sup>162</sup> *Naschem Co. v. Blackswamp Trading Co.*, No. 08-cv-730-slc, 2009 WL 1307865, at \*3 (W.D. Wis. May 8, 2009) (finding misjoinder and transferring claims against one accused infringer based on lack of evidence allowing a reasonable inference of "common scheme of infringement that would make joinder of their claims proper under Rule 20").

<sup>163</sup> See, e.g., *Joao Control & Monitoring Sys. of Cal.*, 2011 WL 1519277, at \*1 ("In patent infringement cases against multiple infringers of the same patent, the 'same transaction' test is met when the multiple alleged infringers acted in concert with each other when they produced, sold, or distributed the same allegedly infringing device."); *Sorenson v. DMS Holdings, Inc.*, No. 08cv559-BTM-CAB, 2010 WL 4909615, at \*1 (S.D. Cal. Nov. 24, 2010) ("[A]lleging a common manufacturer and infringement of the same patent is not enough to support joinder where defendants are unrelated companies, selling different products."); *WiAV Networks, LLC v. 3Com Corp.*, No. C 10-03448 WHA, 2010 WL 3895047, at \*2 (N.D. Cal. Oct. 1, 2010) (rejecting argument that compliance with a protocol by the accused infringers was insufficient to justify joinder because "there would be slight differences in hardware and software components involved" (internal quotation marks omitted)).

<sup>164</sup> *Rudd v. Lux Prods. Corp.*, No. 09-cv-6957, 2011 WL 148052, at \*2 (N.D. Ill. Jan. 12, 2011) (quoting Reply Brief in Support of Emerson Electric Co.'s Motion to Dismiss for Improper Joinder or, in the Alternative, to Sever and Transfer at 4) (internal quotation marks and citation omitted).

<sup>165</sup> *Id.* at \*3. This view is disputed. See *Alford Safety Servs., Inc. v. Hot-Hed, Inc.*, No. 10-1319, 2010 WL 3418233, at \*10 (E.D. La. Aug. 24, 2010) ("While some courts do hold th[e] view [that acts of infringement by separate defendants do not satisfy the same transaction requirement], the majority hold the view that joinder is proper in patent infringement suits [when alleged infringement is based on the same patents].").

trademark infringement lawsuits. In several cases, courts have rejected attempts by record companies to name multiple users of file-sharing websites as defendants in single actions alleging copyright infringement because the record companies have not accused the alleged infringers of conspiring or acting jointly.<sup>166</sup> Similarly, courts have denied joinder of multiple accused infringers in trademark cases when trademark owners name unrelated parties and do not allege concerted action.<sup>167</sup> And the Second Circuit generally appears to require an allegation of concerted action before it will permit joinder of defendants in any type of case.<sup>168</sup>

The divergent interpretations and applications of Rule 20 both inside and outside the context of patent infringement litigation should not be surprising. They reflect the Advisory Committee's recognition of the difficulty in interpreting the text of Rule 20.<sup>169</sup> They also reflect the competing policies advanced during the Advisory Committee's deliberations.<sup>170</sup> To the extent that many courts have used the same transaction or occurrence requirement to limit joinder, however, they tend to disprove Judge Clark's prediction that the common question

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<sup>166</sup> See, e.g., *Arista Records LLC v. Does 1–4*, 589 F. Supp. 2d 151, 154 (D. Conn. 2008) (finding joinder improper); *Arista Records, LLC v. Does 1–11*, No. 1:07-CV-2828, 2008 WL 4823160, at \*6 (N.D. Ohio Nov. 3, 2008) (finding joinder improper and collecting additional cases). Judge Kathleen O'Malley, who authored the opinion for the Northern District of Ohio case, has since become a judge on the Federal Circuit.

<sup>167</sup> See *Golden Scorpio Corp. v. Steel Horse Bar & Grill*, 596 F. Supp. 2d 1282, 1285 (D. Ariz. 2009) (rejecting joinder because “the claims alleged against [one defendant] are premised upon its own independent acts of infringement, unfair competition, and dilution that are separate and distinct from the allegedly improper acts of any of the other defendants”); *Colt Def. LLC v. Heckler & Koch Def., Inc.*, No. 2:04cv258, 2004 U.S. Dist. LEXIS 28690, at \*16 (E.D. Va. Oct. 22, 2004) (holding that claims did not arise from the same transaction or occurrence where separate defendants had each independently infringed the same trademark); *SB Designs v. Reebok Int'l, Ltd.*, 305 F. Supp. 2d 888, 892 (N.D. Ill. 2004) (“The fact that the defendants allegedly violated the same trademark does not mean that plaintiffs’ claims against them arise out of the same transaction or occurrence.”); see also *ThurmaPure, Inc. v. Temp-Air, Inc.*, No. 10-cv-4724, 2010 WL 5419090, at \*4 (N.D. Ill. Dec. 22, 2010) (noting a long line of cases holding that “Rule 20(a)’s requirement for a common transaction or occurrence is not satisfied where multiple defendants are merely alleged to have infringed the same patent or trademark”).

<sup>168</sup> See *Nassau Cnty. Ass’n of Ins. Agents, Inc. v. Aetna Life & Cas. Co.*, 497 F.2d 1151, 1154 (2d Cir. 1974) (“No allegation of conspiracy or other concert of action has been asserted.”). At least one district court has interpreted Second Circuit law as requiring an allegation of joint action. See *Movie Sys., Inc. v. Abel*, 99 F.R.D. 129, 130 (D. Minn. 1983) (“An allegation of joint action is required.”).

<sup>169</sup> See NOVEMBER 1935 PROCEEDINGS, *supra* note 39, at 487, 512-a (noting ambiguity in the meaning of the phrase “a common question of law or fact arising out of a transaction or series of transactions”).

<sup>170</sup> See *supra* notes 44–47 and accompanying text (describing the competing policies motivating members of the Advisory Committee).

of law or fact requirement would be the only substantial limitation on joinder of parties.<sup>171</sup>

These divergent interpretations and applications of Rule 20 in the context of patent infringement litigation also explain why Congress and the President sought to modify the rule governing joinder of accused infringers. Splits of authority create uncertainty for litigants, engender costly motion practice, and reduce the likelihood of out-of-court resolution of disputes related to procedure. Indeed, the legislative history of the AIA repeatedly points toward this particular split of authority as a reason for Congress to pass the AIA.<sup>172</sup>

### C. *The Trend Toward Increased Joinder of Accused Infringers in Patent Infringement Litigation*

When enacting § 299, the President and Congress may have been concerned about the growing number of accused infringers joined in patent infringement lawsuits. At least one prominent figure in the patent law community identified this trend as a significant problem. At a gathering of lawyers from the Eastern District of Texas just after passage of the AIA, Randall Rader, Chief Judge of the Federal Circuit, commented on a “trend towards an excess number of parties [that] unnecessarily multiplies the complexity of already-complex litigation.”<sup>173</sup>

Significantly, Chief Judge Rader did not cite any empirical support for this trend, and academic literature to date has not identified any evidence documenting the number of parties in patent infringement litigation. Therefore, I conducted an empirical study of two forums, the U.S. District Courts for the Eastern District of Texas and

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<sup>171</sup> See McFarland, *supra* note 56, at 260, 261 n.68 (discussing Judge Clark’s view of Rule 20). Given that the AIA limits joinder even further based on the “same transaction or occurrence” requirement, the AIA represents a rejection of Judge Clark’s normative arguments in favor of a test for joinder that does not use the “same transaction or occurrence” requirement.

<sup>172</sup> See *infra* notes 223, 225 and accompanying text (analyzing the relevant legislative history of the AIA). When the Federal Circuit—after passage of the AIA—resolved this split of authority regarding Rule 20, it held in favor of the cases restricting joinder. *In re EMC Corp.*, 677 F.3d 1351, 1359 (Fed. Cir. 2012) (“We think the ‘not dramatically different’ standard used by the district court is inconsistent with these authorities.”). The court noted that “[j]oinder of independent defendants is only appropriate where the accused products or processes are the same in respects relevant to the patent.” *Id.* But it also noted that “the sameness of the accused products or processes is not sufficient. Claims against independent defendants . . . cannot be joined under Rule 20’s transaction-or-occurrence test unless the facts underlying the claim of infringement asserted against each defendant share an aggregate of operative facts.” *Id.*

<sup>173</sup> Rader, *supra* note 30, at 6.

the Northern District of California, to test the existence of an upward trend in the number of parties named in patent infringement lawsuits.

As the figures in the Appendix illustrate, this study indicates a stark difference in joinder practice in patent infringement litigation between these forums. In particular, it shows that, on average, patent owners named significantly more accused infringers in initial complaints filed originally in the Eastern District of Texas as compared to those filed in the Northern District of California.<sup>174</sup> On average, initial complaints filed originally in the Eastern District of Texas name almost *four times* more accused infringers for the entire period studied.<sup>175</sup> Moreover, the study shows that, on average, the number of accused infringers named in Eastern District of Texas complaints steadily increased between 2008 and just prior to the effective date of § 299 in 2011, while in the Northern District of California the number remained relatively constant.<sup>176</sup>

Furthermore, the initial complaints filed originally in the Eastern District of Texas identify a significantly lower proportion of accused infringers as having ties to the forum state when compared to initial complaints filed originally in the Northern District of California.<sup>177</sup> In particular, the mean quarterly percentage of accused infringers with identified ties to the forum state was 12% in the Eastern District of

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<sup>174</sup> See *infra* Table 1, Figures 1, 3 (comparing the number of accused infringers identified in initial complaints filed originally in the Eastern District of Texas with number of accused infringers identified in initial complaints filed originally in the Northern District of California).

<sup>175</sup> See *infra* Table 1 (indicating a mean of 9.1 defendants in the Eastern District of Texas compared to 2.4 defendants in the Northern District of California). The stark difference between these forums likely reflects the contrasting views of judges in these forums regarding the appropriateness of joinder of accused infringers. Compare *MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455, 456–57 (E.D. Tex. 2004) (allowing liberal joinder), with *WiAV Networks, LLC v. 3Com Corp.*, No. C 10-03448 WHA, 2010 WL 3895047, at \*4 (N.D. Cal. Oct. 1, 2010) (restricting joinder). It also likely reflects the unique circumstance that the Federal Circuit has ordered the Eastern District of Texas to transfer patent infringement cases nine times in recent years without ordering the Northern District of California to transfer any cases. See *supra* note 24 (listing nine Federal Circuit opinions ordering the Eastern District of Texas to transfer patent infringement cases). A search of Westlaw for any opinion by the Federal Circuit ordering the Northern District of California to transfer a patent infringement case failed to identify any such opinion.

<sup>176</sup> See *infra* Figures 1, 3 (showing the average number of accused infringers named in initial complaints filed originally in the Eastern District of Texas versus the Northern District of California for each quarter of the relevant time period).

<sup>177</sup> See *infra* Table 1, Figure 5 (comparing the proportion of accused infringers identified in initial complaints filed in the Eastern District of Texas as having ties to Texas to the proportion of accused infringers identified in initial complaints filed in the Northern District of California as having ties to California).

Texas compared to 41% in the Northern District of California.<sup>178</sup> The study further shows that, on average, the percentage of accused infringers identified as having some tie to Texas in initial complaints filed originally in the Eastern District of Texas generally was constant and low between 2008 and just prior to the effective date of § 299 in 2011.<sup>179</sup> Perhaps surprisingly, however, the study shows that in every quarter except two since the second quarter of 2009, on average, patent owners named more accused infringers with identified ties to the forum state when suing in the Eastern District of Texas as compared to the Northern District of California.<sup>180</sup>

This information may reflect the use of strategies of decentralization and localization by patent owners as they attempt to avoid the transfer of cases out of the Eastern District of Texas. By decentralization, I refer to naming accused infringers spread throughout the country in an attempt to prevent a court from identifying any one forum as being clearly more convenient than the forum selected by the plaintiff. By localization, I refer to naming more accused infringers with ties to the forum state, again in an attempt to prevent transfer.<sup>181</sup> To test more definitively for the strategy of decentralization, additional investigation and analysis of the complaints would be necessary, including identifying the states associated with the accused infringers.

The strategy of localization, however, appears to be confirmed by the study. Indeed, it is particularly clear that, on average, patent owners filing initial complaints in the Eastern District between 2008 and the third quarter of 2010 joined more and more accused infringers

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<sup>178</sup> See *infra* Table 1 (identifying the mean quarterly percentage of accused infringers with identified ties to the forum state as 12% in the Eastern District of Texas compared to 41% in the Northern District of California).

<sup>179</sup> See *infra* Figure 5 (showing the proportion of accused infringers identified in initial complaints filed in the Eastern District of Texas as having ties to Texas for each quarter of the relevant time period).

<sup>180</sup> See *infra* Figure 2 (comparing the mean number of accused infringers identified in initial complaints filed in the Eastern District of Texas as having ties to Texas to the mean number of accused infringers identified in initial complaints filed in the Northern District of California as having ties to California). Even when comparing the median number of defendants with an identified tie to the forum state, the Eastern District of Texas equaled or exceeded the Northern District of California in every quarter, except one, since the fourth quarter of 2009. See *infra* Figure 4 (comparing the median number of accused infringers identified in initial complaints filed in the Eastern District of Texas as having ties to Texas to the median number of accused infringers identified in initial complaints filed in the Northern District of California as having ties to California).

<sup>181</sup> Given the data, I do not refer to an increased percentage of accused infringers with an identified tie to the forum state compared to accused infringers without any identified ties to the forum state. That statistic remained relatively constant as applied to the Eastern District of Texas between 2008 and 2011. See *infra* Figure 5 (showing the proportion of accused infringers identified in initial complaints filed in the Eastern District of Texas as having ties to Texas for each quarter of the relevant time period).



in each case. Thus, Chief Judge Rader's reference to a "trend" regarding the number of parties named in patent infringement lawsuits is supported by empirical evidence with respect to the Eastern District of Texas. This trend likely spurred Congress and the President to enact § 299 restricting permissive joinder of accused infringers.

### III

#### THE AMERICA INVENTS ACT AND 35 U.S.C. § 299

Against the background of a split of authority among district court judges regarding the appropriate interpretation and application of Rule 20 and a trend toward increased joinder of defendants in patent infringement litigation filed in the Eastern District of Texas, Congress and the President enacted the America Invents Act. The AIA effectively creates a new rule governing both permissive joinder and consolidation for trial in most patent infringement litigation. While the creation of this new rule may seem unsurprising given its ability to resolve the conflicting views of various district court judges regarding the proper standard for joinder, the step of repealing Federal Rules of Civil Procedure was in fact quite remarkable.<sup>182</sup> Rather than adhere to traditional conceptions of the policies underlying the Federal Rules of Civil Procedure—uniform rules for almost all types of civil litigation, liberal joinder, and broad discretion provided to district courts—§ 299 creates a new rule specifically for most patent infringement cases, restricts joinder, and seemingly removes district courts' discretion. The remarkable nature of § 299 is best understood after considering the new test it advances coupled with the relatively sparse legislative history justifying it.

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<sup>182</sup> Congress has rarely repealed a Federal Rule of Civil Procedure for particular types of civil litigation. In 1958, Judge Clark proudly reported that twenty years after the effective date of the Federal Rules of Civil Procedure, "[n]otwithstanding many proposals, Congress has withstood all attempts to obtain passage of procedural statutes of any consequence. A search has turned up in the rules area only a single statute, one of no far-reaching import." Charles E. Clark, *Two Decades of the Federal Civil Rules*, 58 COLUM. L. REV. 435, 443 (1958). Other than the AIA, an example of a more recent, successful attempt to obtain passage of a procedural statute of "consequence" is the Private Securities Litigation Reform Act of 1995, Pub. L. 104-67, 109 Stat. 737 (codified as amended in scattered sections of 15 U.S.C.). It set a higher pleading threshold for securities fraud litigation than Rule 9 of the Federal Rules of Civil Procedure, which allows "state of mind" allegations underlying fraud to be pleaded generally. Compare 15 U.S.C. § 78u-4(b)(2) (2006) (requiring complaints filed in securities fraud actions seeking money damages on proof that the defendant acted with a particular state of mind to "state with particularity facts giving rise to a strong inference that the defendant acted with the required state of mind"), with FED. R. CIV. P. 9(b) ("Malice, intent, knowledge, and other conditions of a person's mind may be alleged generally.").

### A. *A New Test for Permissive Joinder and Consolidation for Trial*

Section 19(d) of the AIA created a new statutory subsection, 35 U.S.C. § 299, governing permissive joinder of accused infringers and consolidation for trial in most patent infringement cases.<sup>183</sup> This new statutory section applies to civil actions commenced on or after September 16, 2011, the date President Obama signed the AIA into law.<sup>184</sup> One way to understand this new statutory section is to contrast its terms with the relevant Federal Rules of Civil Procedure: Rules 20<sup>185</sup> and 42.<sup>186</sup> While there are many differences,<sup>187</sup> the most

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<sup>183</sup> The new statutory section recites:

§ 19(d). Joinder of parties

(a) Joinder of Accused Infringers.—With respect to any civil action arising under any Act of Congress relating to patents, other than an action or trial in which an act of infringement under section 271(e)(2) has been pled, parties that are accused infringers may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, only if—

(1) any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process; and

(2) questions of fact common to all defendants or counterclaim defendants will arise in the action.

(b) Allegations Insufficient For Joinder.—For purposes of this subsection, accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents in suit.

(c) Waiver.—A party that is an accused infringer may waive the limitations set forth in this section with respect to that party.

Leahy-Smith America Invents Act § 19(d), 35 U.S.C. § 299 (Supp. V 2012) (amended 2013).

<sup>184</sup> See America Invents Act § 19(e), Pub. L. No. 112-29, 125 Stat. 284, 333 (2011) (“The amendments made by this section shall apply to any civil action commenced on or after the date of the enactment of this Act.”); Press Release, Office of the Press Sec’y, *supra* note 2 (announcing that President Obama signed the America Invents Act on September 16, 2011).

<sup>185</sup> Rule 20 recites:

(2) *Defendants*. Persons—as well as a vessel, cargo, or other property subject to admiralty process in rem—may be joined in one action as defendants if:

(A) any right to relief is asserted against them jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences; and

(B) any question of law or fact common to all defendants will arise in the action.

FED. R. CIV. P. 20(a)(2).

<sup>186</sup> Rule 42 recites:

(a) CONSOLIDATION. If actions before the court involve a common question of law or fact, the court may:

(1) join for hearing or trial any or all matters at issue in the actions;

(2) consolidate the actions; or

(3) issue any other orders to avoid unnecessary cost or delay.

significant either relate to the applicability of § 299 or play a unique role in its proper interpretation.

### 1. *Applicability of § 299*

Consider the fundamental issue of the applicability of § 299. A first distinction is that, while Rules 20 and 42 apply practically to all civil actions in federal district courts,<sup>188</sup> § 299 applies only “to any civil action arising under any Act of Congress relating to patents, other than an action or trial in which an act of infringement under section 271(e)(2) has been pled.”<sup>189</sup> This language can be divided into two conceptual parts. The first part defines the outer boundary of the scope of the application of the new statutory section (“any civil action arising under any Act of Congress relating to patents”). The second part excludes from that scope cases with allegations of infringement by certain drugs and veterinary biological products (“an action or trial in which an act of infringement under section 271(e)(2) has been pled”).

While the second part is relatively straightforward,<sup>190</sup> the first part raises basic questions regarding the scope of the application of

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(b) SEPARATE TRIALS. For convenience, to avoid prejudice, or to expedite and economize, the court may order a separate trial of one or more separate issues, claims, crossclaims, counterclaims, or third-party claims. When ordering a separate trial, the court must preserve any federal right to a jury trial.

FED. R. CIV. P. 42.

<sup>187</sup> When contrasting the text of the old rules and § 19(d) of the AIA, one cannot help but notice a blatant typographical error in the latter. The AIA stated that “parties that are accused infringers may be joined in one action as defendants *or counterclaim defendants*, or have their actions consolidated for trial, *or counterclaim defendants* only if” certain heightened standards are met. Leahy-Smith American Invents Act § 19(d). Thus, the AIA twice included the phrase “or counterclaim defendants.” The House of Representatives introduced this error—after the House Judiciary Committee reported the bill to the floor of the House—when amendments extended the scope of the draft statute to address consolidation of trials. See H.R. REP. NO. 112-98, pt. 1, at 33 (2011) (reporting the proposed statute as stating “parties that are accused infringers may be joined in one action as defendants or counterclaim defendants only if”); 157 CONG. REC. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Jon Kyl) (“As amended in the mark up and in the floor managers’ amendment, the bill extends the limit on joinder to also bar consolidation of trials of separate actions.”). The second use of the phrase was recently corrected in a legislative amendment. Act of Jan. 14, 2013, Pub. L. No. 112-274 § 1(c), 126 Stat. 2456 (2013).

<sup>188</sup> See FED. R. CIV. P. 1 (“These rules govern the procedure in all civil actions and proceedings in the United States district courts, except as stated in Rule 81.”); FED. R. CIV. P. 81(a) (listing exceptions).

<sup>189</sup> Leahy-Smith America Invents Act § 19(d), 35 U.S.C. § 299 (Supp. V 2012) (amended 2013).

<sup>190</sup> Presumably, the exclusion of the pharmaceutical industry from the more rigorous restrictions on permissive joinder and consolidation for trial added by § 299 reflects the absence of any perceived problems with the number of accused infringers joined in patent infringement cases involving drugs and veterinary biological products. Indeed, one would

§ 299. In particular, the first part may not cover cases involving only *counterclaims* alleging patent infringement. For example, consider a case where the original complaint does not assert patent infringement, but the patent owner's answer does. Is this a "civil action arising under any Act of Congress relating to patents"?<sup>191</sup> No, it is not.

The statutory language suffers from the same problem highlighted by the Supreme Court in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*<sup>192</sup> There, the court held that cases with counterclaims alleging infringement—but not claims alleging infringement—did not satisfy the statutory requirement of being "civil action[s] arising under any Act of Congress relating to patents."<sup>193</sup>

One might argue that the remainder of § 299 indicates that it should apply to cases involving only counterclaims alleging infringement, because it recites that "accused infringers may be joined in one action as defendants *or counterclaim defendants*."<sup>194</sup> But as a matter of statutory interpretation this language does not define the category of cases to which § 299 applies. Moreover, the language still has meaning outside the context of applicability of the new statutory section because cases involving claims of infringement may also include counterclaims of infringement.

It is ironic that use of the language "any civil action arising under any Act of Congress relating to patents" introduces a problem similar to the one identified by the Supreme Court in *Holmes Group*, because a separate portion of the AIA corrected the particular problem highlighted in *Holmes Group*.<sup>195</sup> To avoid the problem in § 299, Congress could have inserted "or in any civil action in which a party has asserted a compulsory counterclaim arising under" after "arising under."

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suppose that the prototypical nature of patent infringement litigation in the pharmaceutical industry involves one name-brand drug manufacturer suing one generic drug manufacturer for infringement. *See, e.g.,* Warner-Lambert Co. v. Teva Pharm. USA, Inc., 418 F.3d 1326, 1333 (Fed. Cir. 2005) (lawsuit by Warner-Lambert, a name-brand drug manufacturer, against Teva, a generic drug manufacturer, for patent infringement). An empirical study regarding joinder and consolidation practices in this industry, including the locations of these cases, would inform this supposition.

<sup>191</sup> 35 U.S.C. § 299.

<sup>192</sup> 535 U.S. 826, 830 (2002) (addressing the same language and concluding that, for a case to "arise[ ] under" patent law, the plaintiff's "complaint must establish either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law" (alteration in original) (internal quotation marks omitted)).

<sup>193</sup> *Id.* at 829–32 (internal quotations omitted) (discussing statutory language prior to the enactment of the America Invents Act).

<sup>194</sup> 35 U.S.C. § 299 (emphasis added).

<sup>195</sup> America Invents Act § 19(b), Pub. L. No. 112-29, 125 Stat. 284, 331–32 (2011) (amending 28 U.S.C. § 1295(a)(1)).

Another distinction related to the fundamental issue of the applicability of § 299 is that, while Rule 20 applies to joinder of “[p]ersons,”<sup>196</sup> the new statutory section applies to joinder of “parties that are accused infringers.”<sup>197</sup> Thus, § 299 does not apply to persons named in patent infringement lawsuits that are not accused infringers. Such persons may include parties who might bring claims of infringement—owners or joint-owners of an asserted patent or exclusive licensees of an asserted patent—or parties accused only of other wrongs such as thefts of trade secrets. Moreover, while Rule 20 includes separate subsections for plaintiffs and defendants,<sup>198</sup> § 299 applies the same test to accused infringers whether they are “defendants or counterclaim defendants.”<sup>199</sup>

Next, consider the relationship between the tests for permissive joinder and consolidation for trial. Rule 20 addresses permissive joinder of parties, and Rule 42 separately addresses consolidation for trial. The two rules differ in terms of substantive standards.<sup>200</sup> Section 299, by contrast, applies one standard to both permissive joinder and consolidation for trial. It states that parties that are accused infringers “may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial . . . only if” certain requirements are met.<sup>201</sup> Thus, the same standard will apply to questions of joinder and consolidation for trial in most patent-related actions.<sup>202</sup>

## 2. *Substantive Standard of § 299*

The most significant differences between the old rules and § 299, of course, relate to the substantive standards governing permissive joinder of accused infringers and consolidation for trial. Unlike Rules

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<sup>196</sup> FED. R. CIV. P. 20(a).

<sup>197</sup> 35 U.S.C. § 299.

<sup>198</sup> See FED. R. CIV. P. 20(a)–(b) (addressing joinder of plaintiffs and defendants, respectively).

<sup>199</sup> 35 U.S.C. § 299.

<sup>200</sup> Under Rule 20, permissive joinder is allowed if both the same transaction requirement and the common question of law or fact requirement are met. FED. R. CIV. P. 20. Under Rule 42, consolidation for trial requires only a common question of law or fact. FED. R. CIV. P. 42.

<sup>201</sup> 35 U.S.C. § 299.

<sup>202</sup> Rule 42, however, continues to apply to the issue of “join[ing] for hearing . . . any or all matters at issue” in separate actions. FED. R. CIV. P. 42(a)(1). Moreover, at least arguably, Rule 42 continues to apply to “[consolidation of] the actions” as well as the more general power conferred on district courts to “issue any other orders to avoid unnecessary cost or delay.” FED. R. CIV. P. 42(a)(2)–(3). To the extent Rule 42 continues to apply to these issues, the standard it identifies differs substantially, requiring only a common question of law or fact. FED. R. CIV. P. 42(a)(1); see *infra* Part IV.D (analyzing the extent to which Rule 42 continues to apply after enactment of 35 U.S.C. § 299).

20 and 42, § 299 restricts at least some of the discretion previously afforded to both patent owners and courts on matters of joinder and consolidation. Highlighting this new restriction, the new statutory section uses the word “only.”<sup>203</sup> It also includes a separate subsection indicating what allegations courts must treat as insufficient for joinder.<sup>204</sup> In these ways, the new law clarifies that the recited requirements must be satisfied to allow joinder or consolidation of accused infringers for trial in the cases covered by § 299.<sup>205</sup>

Consider first the substantive standard governing permissive joinder of defendants. Rule 20 articulates a two-pronged test. The first prong is whether “any right to relief is asserted against [the defendants] jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences.”<sup>206</sup> The second prong is whether “any question of law or fact common to all defendants will arise in the action.”<sup>207</sup> Section 19(d) of the AIA modifies both prongs.

Regarding the first prong, § 299 adds the requirement that the same transaction, occurrence, or series of transactions or occurrences “relat[e] to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process.”<sup>208</sup> This new requirement thus lists actions that may be the basis of an infringement claim.<sup>209</sup> The key is that, for permissive joinder to be appropriate under § 299, the object of these actions (the accused product or process) must be “the same.” The phrase “the same accused product or process” requires interpretation, and I analyze competing interpretations below. For now, however, it is useful simply to recognize that this language adds a requirement beyond the Federal Rules for permissive joinder.

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<sup>203</sup> Compare FED. R. CIV. P. 20, 42 (not using “only” to describe when parties may be joined or actions consolidated), with 35 U.S.C. § 299 (using “only”).

<sup>204</sup> 35 U.S.C. § 299. For additional discussion of this subsection, see *infra* notes 213–15 and accompanying text.

<sup>205</sup> A significant question remains concerning whether § 299 repeals Rule 21, which in pertinent part gives district courts discretion to add parties to a lawsuit. FED. R. CIV. P. 21; see *infra* Part IV.D (concluding that § 299 does not repeal Rule 21).

<sup>206</sup> FED. R. CIV. P. 20(a)(2)(A).

<sup>207</sup> FED. R. CIV. P. 20(a)(2)(B).

<sup>208</sup> 35 U.S.C. § 299.

<sup>209</sup> The listed actions mirror the actions identified in the statutory section defining direct infringement. See 35 U.S.C. § 271(a) (2006) (“Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”). Notably, however, § 299 does not list other forms of infringement, including infringement related to exportation activities. See 35 U.S.C. § 271(f) (2006) (defining infringement based on exportation activities).

Regarding the second prong of Rule 20, § 299 similarly changes the requirement, making it, at least theoretically, more difficult for permissive joinder to be appropriate. It requires that “questions of fact common to all defendants or counterclaim defendants will arise in the action.”<sup>210</sup> Thus, a common question of law will not suffice—nor will a singular common question of fact. Rather, *multiple* common “questions of fact” must exist.

Section 19(d) of the AIA also creates a new substantive standard to test the appropriateness of consolidation for trial. Like the standard governing permissive joinder of accused infringers, the new standard is more difficult to meet than that of the relevant Federal Rule. Section 19(d) replaces the simple test articulated in Rule 42—whether the “actions before the court involve a common question of law or fact”<sup>211</sup>—with the complex, two-pronged permissive joinder analysis discussed above.<sup>212</sup> Thus, a common question of law is no longer sufficient to consolidate actions for trial, nor is a singular common question of fact. Instead, more than one common question of fact must exist, as must allegations of infringement against “the same accused product or process.”

Congress expressed these new standards governing permissive joinder and consolidation for trial—which really are just one standard—in positive terms in subsection (a) of the new statutory section.<sup>213</sup> This use of positive terms is similar to the language of Rules 20 and 42. But § 299 goes further. Subsection (b) states, in negative terms, when accused infringers may not be joined in one action or have their cases consolidated for trial: “[A]ccused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents in suit.”<sup>214</sup> This subsection at first appears superfluous: Subsection (a) already indicates that an allegation of infringement of the same patent alone would be insufficient to justify joinder or consolidation for trial. But,

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<sup>210</sup> 35 U.S.C. § 299.

<sup>211</sup> FED. R. CIV. P. 42(a).

<sup>212</sup> As discussed above, § 299 requires that

any right to relief [be] asserted against the accused infringers jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process; and questions of fact common to all defendants or counterclaim defendants will arise in the action.

35 U.S.C. § 299(a).

<sup>213</sup> *Id.*

<sup>214</sup> *Id.*

as I will discuss below, subsection (b) is useful in interpreting the meaning of “same accused product or process.”<sup>215</sup> Moreover, this subsection highlights the magnitude of the departure from particularly permissive interpretations of Rules 20 and 42.

Also unlike Rules 20 and 42, subsection (c) of § 299 allows accused infringers to waive the restrictions on permissive joinder and consolidation for trial.<sup>216</sup> In many cases, it effectively requires patent owners and all accused infringers to agree to joinder of the accused infringers or to consolidation for trial.

The waiver contemplated by § 299 may be prospective or retrospective. Prospectively, for example, parties may negotiate these waivers and include them in license agreements long before litigation is threatened. Alternatively, parties may negotiate these waivers contemporaneously with the filing of a patent infringement lawsuit, either before or after joinder of multiple accused infringers. An unresolved question is whether waiver may be implied by the conduct of the alleged infringers.

Note that any waiver eliminates only the “limitations set forth in this section with respect to that party.”<sup>217</sup> The restrictions on joinder and consolidation for trial set forth in Rules 20 and 42 therefore still apply, even if all accused infringers waive the heightened standard set forth in § 299. When there is a waiver, however, the application of Rules 20 and 42 may be academic for two reasons. First, in any case in which all accused infringers agree to waive the requirements of the new statutory section, presumably no party will challenge joinder or consolidation. Second, even if a judge *sua sponte* raises a question regarding either issue—which seems possible but unlikely—the requirements of Rules 20 and 42 may be satisfied by the same facts that caused the accused infringers to waive the heightened requirements of § 299.<sup>218</sup> For example, multiple accused infringers may waive the heightened requirements of § 299 because they enjoy indemnification from a particular component manufacturer and therefore plan to share counsel and adopt common strategies. As discussed below, accused infringers sharing a single component manufacturer may or

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<sup>215</sup> See *infra* Part IV (discussing how subsection (b) supports an interpretation of § 299 that focuses on concerted action).

<sup>216</sup> Leahy-Smith America Invents Act § 19(d), 35 U.S.C. § 299 (Supp. V 2012) (amended 2013) (“A party that is an accused infringer may waive the limitations set forth in this section with respect to that party.”).

<sup>217</sup> *Id.*

<sup>218</sup> Accused infringers would be more likely to waive the heightened requirements of § 299 when they have relationships with other accused infringers that may satisfy the lesser requirements of Rules 20 and 42. I consider particular types of relationships in Part IV.D, *infra*.



may not be subject to joinder pursuant to § 299, depending upon the interpretation of “same product or process.”<sup>219</sup> But their joinder in one lawsuit is likely appropriate under Rule 20, which requires only a right to relief arising out of the same transaction or occurrence and a common question of law or fact.

### B. *The Legislative History*

As shown, there are radical differences between the relevant Federal Rules of Civil Procedure and § 299. Given these differences, it is quite surprising that, prior to the enactment of the AIA, no scholarship addressed any perceived problem with the Federal Rules governing joinder or consolidation for trial in patent infringement litigation; nor did any scholarship address the split of authority as to their proper interpretation. More broadly—other than a perceived problem that courts too often *restrict* joinder<sup>220</sup>—no scholarship identified any specific defect in the rules governing permissive joinder and consolidation with respect to any type of litigation.<sup>221</sup> And the idea that courts too often *restrict* joinder is quite the opposite of what apparently motivated Congress and the President to enact the relevant portion of the AIA. Under these circumstances, one might expect the legislative history of the AIA to provide detailed explanations about why Congress and the President enacted such sweeping changes. However, the legislative history is quite sparse in this regard.

#### 1. *Report of the House Judiciary Committee*

The House Judiciary Committee’s report contains the most detailed discussion of permissive joinder of accused infringers. The report references “problems occasioned by the joinder of defendants

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<sup>219</sup> See *infra* Part IV.A.1.

<sup>220</sup> See McFarland, *supra* note 56, at 258–70 (analyzing the history, development, and judicial application of Rule 20 and concluding that “[o]ne has to search long and hard for a decision that may have too generously allowed permissive joinder”); see also Note, *Joinder of Controlling Non-Parties: Eliminating Hide-and-Seek in Patent Litigation*, 70 YALE L.J. 1166 (1961) (arguing in favor of joinder of parties controlling accused patent infringers); Matthew K.K. Sumida, Comment, *Defendant Class Actions and Patent Infringement Litigation*, 58 UCLA L. REV. 843, 845 (2011) (concluding that “defendant class actions appear to be an appropriate method of adjudicating patent infringement claims”).

<sup>221</sup> Professor John Oakley, for example, has recognized that “liberal joinder rules, combined with the high cost of litigation and strict rules of claim and issue preclusion, have made the typical modern federal civil action a multi-claim, multi-party action which often involves exquisitely complex clusters of claims and massively sprawling sets of parties.” John B. Oakley, *Joinder and Jurisdiction in the Federal District Courts: The State of the Union of Rules and Statutes*, 69 TENN. L. REV. 35, 36 (2001). He does not suggest any defect in the rules governing permissive joinder or consolidation, however, but instead focuses his attention on the proper interpretation of 28 U.S.C. § 1367, which governs supplemental jurisdiction. *Id.* at 37–38.

(sometimes numbering in the dozens) who have tenuous connections to the underlying disputes.”<sup>222</sup> The report, however, does not actually identify any of these problems. Nevertheless, as discussed above, a considered analysis indicates that these problems include inefficient resolution of disputes, increased costs borne by accused infringers, strike suits, and forum shopping by patent owners.

In a footnote, the report states that the new statutory section “legislatively abrogates the construction of Rule 20(a) adopted in” various opinions, including *MyMail* (which the report lists first).<sup>223</sup> Thus, the approach advocated in *MyMail* almost certainly is no longer appropriate in patent infringement cases governed by § 299. That is, the appropriateness of joinder of accused infringers probably does not turn on an analysis of evidence presented *after the close of discovery* regarding whether the accused products or methods are *dramatically different*.<sup>224</sup>

The report’s footnote goes on to state that § 299 “effectively conform[s] these courts’ jurisprudence to that followed by a majority of jurisdictions.”<sup>225</sup> This, however, may not be so. To start, courts disputed which line of cases constituted the majority view.<sup>226</sup> Moreover, the standard articulated in § 299 may not reflect the jurisprudence of many jurisdictions that did not follow the *MyMail* approach. Indeed, various decisions that found joinder inappropriate interpreted Rule 20

<sup>222</sup> H.R. REP. NO. 112-98, pt. 1, at 54 (2011).

<sup>223</sup> *Id.* at 55 n.61. In addition to *MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004), other cases cited include: *Eolas Techs., Inc. v. Adobe Sys., Inc.*, No. 6:09-CV-446, 2010 WL 3835762 (E.D. Tex. Sept. 28, 2010); *Alford Safety Servs., Inc. v. Hot-Hed, Inc.*, No. 10-1319, 2010 WL 3418233 (E.D. La. Aug. 24, 2010); *Mannatech, Inc. v. Country Life, LLC*, No. 3:10-CV-533-O, 2010 WL 2944574 (N.D. Tex. July 26, 2010); *Better Educ., Inc. v. Einstruction Corp.*, No. 2-08-cv-446, 2010 WL 918307 (E.D. Tex. Mar. 10, 2010); *Adrain v. Genetec Inc.*, No. 2:08-CV-423, 2009 WL 3063414 (E.D. Tex. Sept. 22, 2009); and *Sprint Commc’ns Co. v. Theglobe.com, Inc.*, 233 F.R.D. 615 (D. Kan. 2006).

<sup>224</sup> See *MyMail, Ltd.*, 223 F.R.D. at 457.

<sup>225</sup> H.R. REP. NO. 112-98, pt. 1, at 55 n.61 (2011).

<sup>226</sup> One judge in the Northern District of Illinois said:

After researching the issue, *the Court determines that MyMail’s approach is in the minority*. This Court follows the prevailing approach of this District and numerous others that have concluded that a party fails to satisfy Rule 20(a)’s requirement of a common transaction or occurrence where unrelated defendants, based on different acts, are alleged to have infringed the same patent.

*Rudd v. Lux Prods. Corp.*, No. 09-cv-6957, 2011 WL 148052, at \*3 (N.D. Ill. Jan. 12, 2011) (emphasis added). But another judge in the Eastern District of Louisiana held:

The Defendants in *MyMail, Ltd.* did cite several district court cases which had one view that held that ‘ . . . infringement by separate defendants [does] not satisfy the same transaction requirement.’ . . . While some courts do hold that view, *the majority hold the view that joinder is proper in patent infringement suits [when alleged infringement is based on the same patents]*.

*Alford Safety Servs., Inc.*, 2010 WL 3418233, at \*10 (citation omitted) (emphasis added).

differently. As discussed above, some required the absence of any difference—however slight—between accused products or methods.<sup>227</sup> Others required some connection between accused infringers, ranging from cooperation to concerted action to collusion,<sup>228</sup> while one required a reasonable inference of a common scheme of infringement.<sup>229</sup> Still others required both (1) cooperation, concerted activity, collusion, or a common scheme of infringement and (2) the absence of differences among the accused methods or products.<sup>230</sup> In short, the standard articulated in § 299 must be interpreted in light of a variety of prior standards.

## 2. *Transcript of the House Judiciary Committee Markup Hearing*

The transcript of the House Judiciary Committee's markup hearing also provides relevant background regarding the AIA provisions related to joinder and consolidation for trial.<sup>231</sup> In particular, the transcript provides insight into policies behind the provisions ultimately enacted into law. For example, Congressman Bob Goodlatte stated that "one of the driving goals of [the] legislation was to reduce patent litigation abuses." In his view, the "joinder language accomplishes this purpose by ensuring that only those parties related to a single cause of action are brought together in the same suit."<sup>232</sup> Patent litigation abuses, though not specifically identified in the legislative history, may include improper forum shopping (such as forum shopping intended to increase the cost of litigation for accused infringers for leverage in settlement negotiations) and strike suits filed by so-called "patent trolls," as discussed above. Moreover, Congressman Goodlatte's statement highlights that at least one congressman believed the new provisions would ensure that only parties *related to a single cause of action* could be joined in the same lawsuit.

## 3. *House Floor Debate*

After the House Judiciary Committee completed its markup of the legislation, the House of Representatives debated the merits of the legislation and held several votes. The first proposed amendment, submitted by Congressman Lamar Smith (the "Smith Amendment"),

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<sup>227</sup> See *supra* notes 156–60 and accompanying text (analyzing cases).

<sup>228</sup> See *supra* note 160–61 and accompanying text (analyzing cases).

<sup>229</sup> See *supra* note 162 and accompanying text (analyzing cases).

<sup>230</sup> See *supra* note 163 and accompanying text (analyzing cases).

<sup>231</sup> *Hearing on Markup of H.R. 1249 Before the H. Comm. on the Judiciary*, 112th Cong. 63 (2011) (statement of Rep. Bob Goodlatte, Member, H. Comm. on the Judiciary), available at <http://judiciary.house.gov/hearings/pdf/04142011MarkupTranscript.pdf>. Rep. Goodlatte was a cosponsor of the bill.

<sup>232</sup> *Id.*

proposed (1) expanding the scope of the legislation beyond permissive joinder to cover consolidation for trial and (2) allowing accused infringers to waive the heightened requirements governing permissive joinder and consolidation for trial.<sup>233</sup> These two elements of the AIA ultimately became law.<sup>234</sup>

During the debate, Congressman Goodlatte addressed the intended effect of the legislation. He stated, “The bill also restricts joinder rules for patent litigation. Specifically, it restricts joinder of defendants to cases [sic, claims] arising out of the same facts and transactions, which ends the abusive practice of treating as codefendants parties who make completely different products and have no relation to each other.”<sup>235</sup> Thus, Congressman Goodlatte focused on the goal of restricting joinder. But while he had previously wished to restrict joinder to parties “related to a single cause of action,” he subsequently omitted the idea of a *relationship* to a single cause of action. Instead, he indicated that the proposed legislation would restrict joinder, more severely, to “cases [sic, claims] arising out of the same facts and transactions”—that is, to situations when a single claim based on the same “facts and transactions” can be brought against multiple accused infringers. This more severe restriction on joinder fails to comport exactly with the breadth of the language included in the enacted law, which allows permissive joinder when any right to relief is asserted “*with respect to* or arising out of” the same transaction, occurrence, or series of transactions or occurrences.<sup>236</sup>

Congressman Goodlatte also made it clear that he opposed joinder of defendants who make “completely different products and have no relation to each other,”<sup>237</sup> but he again failed to explain how this conduct is abusive. Further, his suggestion that “completely different products” would not justify joinder does not provide much insight into the proper interpretation of “same accused product or method” in close cases and, in fact, tends to track the discarded *MyMail* approach.

None of the other speakers in the House addressed the portions of the pending legislation and amendment regarding permissive joinder and consolidation for trial. Ultimately, the House overwhelmingly passed the Smith Amendment, extending the scope of the

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<sup>233</sup> See 157 CONG. REC. H4446 (daily ed. June 22, 2011) (listing proposed amendments).

<sup>234</sup> Leahy-Smith America Invents Act § 19(d), 35 U.S.C. § 299(b), (c) (Supp. V 2012) (amended 2013).

<sup>235</sup> 157 CONG. REC. H4426 (daily ed. June 22, 2011).

<sup>236</sup> Leahy-Smith America Invents Act § 19(d), 35 U.S.C. § 299(a)(1) (Supp. V 2012) (amended 2013) (emphasis added).

<sup>237</sup> 157 CONG. REC. H4426 (daily ed. June 22, 2011).

legislation to cover consolidation for trial and including the waiver provision.<sup>238</sup> Then, after consideration of various other amendments unrelated to permissive joinder and consolidation, the House overwhelmingly voted in favor of what became the final text of the AIA.<sup>239</sup>

#### 4. *Senate Floor Debate*

After the House passed its bill, the Senate considered and passed the legislation without amendment.<sup>240</sup> During the floor debate, Senator Jon Kyl<sup>241</sup> addressed the provisions of the legislation affecting permissive joinder and consolidation for trial. He was the only member of the Senate to discuss the joinder section of the AIA.

Senator Kyl began his remarks by stating that “[t]his new section bars joinder of accused infringers as codefendants, or consolidation of their cases for trial, if the only common fact and transaction among the defendants is that they are alleged to have infringed the same patent.”<sup>242</sup> Notably, this summary focuses on the joinder prohibition articulated in the second subsection of the new statutory section. Senator Kyl did not address the positive requirements for joinder articulated in the first subsection. Senator Kyl went on, however, to make the following provocative statement: “This provision effectively codifies current law as it has been applied everywhere outside of the Eastern District of Texas.”<sup>243</sup> This statement creates a false dichotomy between the Eastern District of Texas and the rest of the country’s courts, and incorrectly characterizes the divergent applications of Rule 20 outside that district as one approach consistent with the approach adopted in the legislation.

First, consider the false dichotomy between the Eastern District of Texas and “everywhere” else. The judges of the Eastern District of

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<sup>238</sup> See Leahy-Smith America Invents Act: Roll Call Vote 481, 157 Cong. Rec. H4480-01 (daily ed. June 23, 2011), 20011 WL 2495388 (recording final vote of 283 to 140 in favor of the proposed amendment).

<sup>239</sup> See Leahy-Smith America Invents Act: Roll Call Vote No. 491, 157 CONG. REC. H4504 (daily ed. June 23, 2011), 2011 WL 2495388 (recording final vote of 304 to 117 in favor of the legislation).

<sup>240</sup> See Leahy-Smith America Invents Act: Roll Call Vote No. 129 Leg., 157 CONG. REC. S5442 (daily ed. Sept. 8, 2011), 2011 WL 3962364 (recording final vote of 89 to 9 in favor of the legislation).

<sup>241</sup> Senator Kyl was a member of the Senate Judiciary Committee during the relevant time period and a cosponsor of the bill. See *Committee Members*, U.S. SENATE COMMITTEE ON THE JUDICIARY, <http://www.judiciary.senate.gov/about/members.cfm> (last visited Feb. 21, 2013) (listing Senator Kyl as a committee member).

<sup>242</sup> 157 CONG. REC. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Jon Kyl).

<sup>243</sup> *Id.* (citing *Rudd v. LUX Prods. Corp.*, No. 09-cv-6957, 2011 WL 148052 (N.D. Ill. Jan. 12, 2011) and H.R. REP. NO. 112-98, pt. 1, at 54–55 (2011)).

Texas were not alone in their interpretation. District judges in the District of Kansas, the Northern District of Texas, and the Eastern District of Louisiana all adopted similarly broad interpretations of Rules 20 and 42.<sup>244</sup> Moreover, the view within the Eastern District of Texas was not consistent: One judge there adopted a more narrow interpretation of the relevant rules.<sup>245</sup> The Eastern District of Texas's patent jurisprudence was neither unique nor perfectly consistent.

Senator Kyl's characterization of the law outside the Eastern District of Texas was similarly incorrect. While courts including the Northern District of California, the Northern District of Illinois, and the Western District of Washington interpreted the relevant rules more narrowly, they had not adopted one consistent interpretation of those rules.<sup>246</sup> The idea that courts outside the Eastern District of Texas had adopted one standard for resolving questions of permissive joinder of accused patent infringers is not accurate.

Senator Kyl's additional remarks addressed the effect of the AIA's bar on consolidation of separate trials. He focused on existing legal authority that allows for trial consolidation under Rule 42 even where joinder is barred under Rule 20.<sup>247</sup> He concluded:

If a court that was barred from joining defendants in one action could instead simply consolidate their cases for trial under [R]ule 42, [S]ection 299's purpose of allowing unrelated patent defendants to insist on being tried separately would be undermined. Section 299 thus adopts a common standard for both joinder of defendants and consolidation of their cases for trial.<sup>248</sup>

Besides highlighting Senator Kyl's understanding of one of the purposes of § 299—"allowing *unrelated* patent defendants to insist on

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<sup>244</sup> See, e.g., *Alford Safety Servs., Inc. v. Hot-Hed, Inc.*, No. 10-1319, 2010 WL 3418233, at \*10-11 (E.D. La. Aug. 24, 2010) (finding the "transaction" requirement met because the patent owner alleged that each defendant infringed the same patents); *Mannatech, Inc. v. Country Life, LLC*, No. 3:10-CV-533-O, 2010 WL 2944574, at \*2 (N.D. Tex. July 26, 2010) (same); *Sprint Commc'ns Co. v. Theglobe.com, Inc.*, 233 F.R.D. 615, 617-18 (D. Kan. 2006) (same).

<sup>245</sup> See *Reid v. Gen. Motors Corp.*, 240 F.R.D. 260, 263 (E.D. Tex. 2007) (holding that infringement claims do not arise from the same transaction when they are based on different acts by unrelated parties).

<sup>246</sup> See *supra* notes 155-63 and accompanying text (analyzing approaches to Rule 20 by district courts).

<sup>247</sup> See 157 CONG. REC. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Jon Kyl) (citing and quoting *Ohio v. Louis Trauth Dairy, Inc.*, 163 F.R.D. 500, 503 (S.D. Ohio 1995) and 9A CHARLES ALAN WRIGHT & ARTHUR P. MILLER, *FEDERAL PRACTICE AND PROCEDURE* § 2382 (3d ed. 2008) and citing *Kenvin v. Newburger, Loeb & Co.*, 37 F.R.D. 473 (S.D.N.Y. 1965) and *Stanford v. TVA*, 18 F.R.D. 152 (M.D. Tenn. 1955)).

<sup>248</sup> *Id.*

being tried separately”<sup>249</sup>—these remarks raise a significant question regarding the scope of the new statutory section.

Senator Kyl refers to a *court* joining defendants in one action rather than a *plaintiff* joining defendants in one action. Notably, Rule 20 uses passive voice, allowing that “[p]ersons . . . may be joined in one action as defendants,” without expressly referring to the entity doing the joining.<sup>250</sup> The context, however—a rule entitled “permissive joinder”—indicates that joinder is an action taken when the plaintiff names a defendant in a complaint. Moreover, Rules 19, 21, and 42 largely use different terms to refer to actions by courts. Courts may “order that the person be made a party,”<sup>251</sup> “add” parties,<sup>252</sup> “join . . . matters,”<sup>253</sup> and “consolidate the actions.”<sup>254</sup> None of these actions involve “joining” a party. The new statutory section uses consistent terminology, indicating that “parties . . . may be joined” and “accused infringers may not be joined,” again using passive voice without identifying the actor.<sup>255</sup> Thus, with respect to joinder, one might interpret the new statutory section as restricting only the ability of patent owners to join accused infringers, not the ability of courts to take other actions. Senator Kyl, however, seems to have a different, broader interpretation that would restrict the ability of courts to join parties in one lawsuit. I return to this issue below when considering the extent to which the new statutory section repealed preexisting law.<sup>256</sup>

#### IV

##### INTERPRETING AND APPLYING 35 U.S.C. § 299

The new statutory section, 35 U.S.C. § 299, raises important interpretive questions. Here I provide an analysis of two competing

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<sup>249</sup> *Id.* Senator Kyl’s counsel on the Senate Judiciary Committee later explained that § 299 “should put an end to a practice that had become a favorite tactic of patent trolls: suing a large number of unrelated patent defendants in a single action.” Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 592 (2012). Eliminating this “favorite tactic of patent trolls,” Senator Kyl suggested, would ensure that accused infringers had the opportunity to obtain separate trials. *Id.* (“Because courts typically do not increase the time for presenting evidence during a trial by a multiple of the number of defendants who are sued, the Eastern District of Texas’s interpretation of Rule 20 resulted in a substantial denial of due process to defendants.”).

<sup>250</sup> FED. R. CIV. P. 20(a)(2).

<sup>251</sup> FED. R. CIV. P. 19(a)(2).

<sup>252</sup> FED. R. CIV. P. 21.

<sup>253</sup> FED. R. CIV. P. 42(a)(1).

<sup>254</sup> FED. R. CIV. P. 42(a)(2).

<sup>255</sup> Leahy-Smith America Invents Act § 19(d), 35 U.S.C. § 299(a), (b) (Supp. V 2012) (amended 2013).

<sup>256</sup> See *infra* Part IV.D (identifying procedures still available after § 299 went into effect).

interpretations of its key operative language, “same accused product or process.”<sup>257</sup> I also analyze two potential procedures for determining whether accused products or processes are the “same accused product or process.” Finally, I weigh whether § 299 repeals other procedural tools that allow district courts to streamline management of cases.

### A. “Same Accused Product or Process”

There are two possible interpretations of “same accused product or process.” First, “same” may refer to one, and only one, thing (the “one thing” interpretation).<sup>258</sup> Under this interpretation, “same accused product or process” refers to one accused product or process. As a result, multiple accused infringers may not be joined in one lawsuit, or have their cases consolidated for trial, unless they are all responsible for infringement with respect to that one accused product or process. In this regard, one accused *product* is easy to envision: It is one physical device. One accused *process* is more difficult to identify. It could refer to the actions taken by a single thing—for example, a procedure used by a single computer program. Even though a computer program may run repeatedly, it executes one procedure each time, so one may understand that the procedure itself is the “same process,” regardless of when it is executed. Alternatively, “same process” could refer to the actions taken by a single thing at a particular time. Using the example of a computer program, each instance of execution of the procedure would be considered a separate process.

Second, “same accused product or process” may refer to multiple separate things that so closely resemble one another or correspond that they are indistinguishable in all relevant respects (the “indistinguishability interpretation”).<sup>259</sup> Using this interpretation, separate accused infringers may be joined in one lawsuit or have their cases consolidated for trial if their accused products are indistinguishable in their construction, operation, or both, depending on the asserted patent claim’s scope. Similarly, separate accused infringers may be joined in one lawsuit or have their cases consolidated for trial if their accused processes are indistinguishable with respect to their steps, again depending on the scope of the asserted claim.

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<sup>257</sup> 35 U.S.C. § 299.

<sup>258</sup> See MERRIAM-WEBSTER’S COLLEGIATE DICTIONARY 1099 (11th ed. 2003) (defining one interpretation of “same” as “being the one under discussion or already referred to” and noting that “same may imply . . . that the things under consideration are one thing and not two or more things”).

<sup>259</sup> See *id.* (including definitions of “same” as “resembling in every relevant respect,” “corresponding so closely as to be indistinguishable,” and “equal in size, shape, value, or importance—usually used with *the*”).



Neither the text nor the legislative history of the AIA indicates which of these interpretations is correct. The legislative history indicates that various members of Congress understood that the purpose of the new statutory section was to restrict joinder, to curb litigation abuses, to restrict cases to one cause of action, to restrict joinder to situations when accused infringers are related, or to codify the law as it existed outside the Eastern District of Texas.<sup>260</sup> But these disparate views do not provide any coherent explanation in favor of either interpretation of the new statutory section. Indeed, the only thing that is certain, given both the language of the new statutory section and legislative history, is that the *MyMail* approach—in which permissive joinder turns on whether accused products or methods are dramatically different—is no longer the law.

In the absence of any indication from the text or legislative history regarding which interpretation is correct, one is left to consider the policies behind joinder of parties. Indeed, this is the approach advocated by scholars studying the question of permissive joinder outside the context of patent infringement litigation.<sup>261</sup> As discussed above, however, there are various competing policies in play.<sup>262</sup> These include focusing disputes on substantive issues rather than procedural issues, reducing costs, and limiting inappropriate joinder to prevent undue hardship on defendants.<sup>263</sup> In the abstract, these competing policies do not provide any definite direction regarding the appropriate interpretation of “same.” When considered in the context of specific hypothetical situations, however, the indistinguishability interpretation often stands out as serving both sets of policies better than the “one thing” interpretation.

### 1. *Hypothetical Situations*

To test the result of adopting each interpretation of “same accused product or process,” consider the following hypothetical situations.

#### *Hypothetical Situation No. 1*

First, consider a situation where a retailer sells a product to a customer. If a patent owner claims that the product’s sale and use

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<sup>260</sup> See *supra* Part III.B.

<sup>261</sup> See, e.g., Kane, *supra* note 12, at 1747 (arguing that this inquiry is fact-specific and turns on whether the policy would be better effectuated by a broad or narrow joinder interpretation).

<sup>262</sup> See *supra* notes 44–47 and accompanying text (analyzing competing policies considered by the Advisory Committee).

<sup>263</sup> See *id.*

both infringe its patent, should the patent owner be permitted to join both the retailer and the customer as accused infringers in the same lawsuit?

Both policies discussed above—liberal joinder and restricted joinder—favor joinder in this context. Of course efficiencies would be gained by eliminating any dispute regarding the propriety of joinder in the first place. But both those favoring liberal joinder and those favoring restrictions on joinder would probably agree that efficiencies based on the multiplicity of common questions related to infringement would outweigh any inefficiencies associated with joinder. Also, it seems unlikely that the customer would prefer a litigation strategy different from the retailer given the large overlap of infringement issues and possible indemnification by the retailer. Thus, advocates of either liberal or restrictive joinder would support joining the defendants. Significantly, both the “one thing” and the indistinguishability interpretations discussed above would result in allowing joinder: There is one device that is made and sold by the accused infringers, and therefore no difference whatsoever.

### *Hypothetical Situation No. 2*

In contrast, consider a situation where two unrelated competitors sell their own products. Joining the parties would create some efficiencies. The patent owner could draft one complaint. The court could hold one claim construction hearing and, ultimately, one trial. But the risk of undue hardship at a minimum raises questions regarding whether joinder is appropriate. For example, there is a risk that the jury may overlook differences in the operation of the competitors’ products that are significant in terms of liability.

In this situation, adopting the “one thing” interpretation would result in no joinder, while adopting the indistinguishability interpretation could result in joinder, depending on the level of similarity between products. Given that the efficiency of joining the competitors also depends on their level of similarity, it may be preferable to adopt the indistinguishability interpretation as a matter of policy.<sup>264</sup>

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<sup>264</sup> To reach a final conclusion regarding efficiency, one must consider transaction costs associated with the determination of whether joinder is appropriate. The determination regarding the level of similarity between products or processes *will* involve costs and may, in particular cases, involve substantial costs. Indeed, extensive discovery and briefing may be required to compare and contrast accused products or processes. An optimal solution, then, might favor adoption of the indistinguishability interpretation coupled with strict limitations on the procedure used to make the determination of indistinguishability. These limitations would reduce transaction costs. In Part IV.B, *infra*, I analyze additional considerations with respect to the procedure used to determine indistinguishability.

*Hypothetical Situation No. 3*

A third possible scenario involves an original equipment manufacturer ("OEM") that produces devices and sells them to two retailers. The only difference between the devices sold to the two retailers is the brand name attached to the devices by the OEM. For devices sold to the first retailer, the OEM attaches the name of the first retailer. For devices sold to the second retailer, the OEM attaches the name of the second retailer.

Here, the benefits of joining the two parties likely outweigh the drawbacks. In particular, joinder probably would not impose any undue hardship on the retailers. Given the shared OEM, the retailers would be expected to coordinate their activities either as a matter of prudent litigation strategy or as a contractual matter due to indemnification by the OEM.<sup>265</sup>

Application of the competing interpretations, however, would cause different results. Under the "one thing" interpretation, a patent owner would not be able to join both retailers in the same lawsuit. The devices sold by each retailer are not the "same" in the sense that they are separate—albeit virtually duplicate—devices. The retailers are therefore not responsible for infringement based on action taken with respect to one device. Under the indistinguishability interpretation, by contrast, a patent owner would be able to join both retailers in the same lawsuit. The devices are the "same" in the sense that they so closely resemble one another or correspond that they are indistinguishable in all relevant respects. In particular, the physical structure and functionality of the devices are indistinguishable. As in Hypothetical Situation No. 2, this hypothetical indicates that the indistinguishability interpretation is preferable.

*Hypothetical Situation No. 4*

A fourth hypothetical situation involves two competitors who both purchase parts from a single component manufacturer. The parts have the same construction and functionality, but the competitors use the parts in devices that differ overall.

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<sup>265</sup> The OEM and these retailers might waive any objection to joinder. Therefore, the interpretation of "same accused product or process" probably should not turn on this hypothetical. Section 299 may be viewed as a device to empower patent owners and courts to force accused infringers to submit to more efficient organization of patent infringement litigation. In this hypothetical, that power is probably unnecessary. On the other hand, the interpretation of "same accused product or process" should not arbitrarily require an inefficient organization of patent infringement litigation, so situations where accused infringers refuse to waive the heightened restrictions still matter.

Applying the new statutory section's competing policies and interpretations is more complicated here because the scope of any asserted patent claim becomes an important variable in the analysis. If the asserted claim is directed to the structure or functionality of the entire final device, and not just the component, then joining the two defendants may be improper. The differences between the two companies' final devices may be so significant as to cause inefficiencies and prejudicial confusion. Here, both interpretations of "same accused product" probably result in the denial of joinder. In particular, the "one thing" interpretation would deny joinder because each competitor would be responsible for its own final device. Presumably the indistinguishability interpretation would require the same result because of the differences between the competitors' devices.

If instead the asserted claim is directed to the structure or functionality of the component part, then both policies probably favor joinder. Joinder probably would not create any undue hardship on the competitors. Indeed, similar to the third hypothetical, given the shared component, the competitors would be expected to coordinate their activities, either as a matter of prudent litigation strategy or as a contractual matter due to indemnification by the component manufacturer. Here, however, the competing interpretations would cause different results. The "one thing" interpretation would prevent joinder because there are separate final devices, while the indistinguishability interpretation would permit joinder because the two companies purchased identical component parts. Thus, like the third hypothetical, consideration of this fourth hypothetical in the context of a claim directed to the structure or functionality of the component counsels adoption of the indistinguishability interpretation of "same accused product."

#### *Hypothetical Situation No. 5*

A fifth hypothetical situation involves three companies that sell products that comply with a common industry standard. Two of the companies participated in the development of the standard and sell products that comply with the standard, while the third company did not participate in the development of the standard but nonetheless sells a product that complies with the standard.

Like the fourth hypothetical situation, determining if joinder is proper depends in large part upon the scope of any asserted patent claim. But this situation is even more complicated, because resolving the joinder question will also depend upon the relationship of the asserted patent claim to the industry standard. In particular, in determining whether joinder is appropriate in the context of compliance

with an industry standard, it is important to identify whether a particular patent claim is *essential* to the standard.<sup>266</sup> Essentiality means that the technology described by one of the patent's claims must be used in order to comply with the standard. In other words, for a patent to be essential to an industry standard, compliance with the standard must necessarily result in infringement. Compliance with the standard does not necessarily result in infringement, for example, if the standard requires use of any one of three methods and only one of the three methods infringes.

If a patent claim is essential to an industry standard, even a restrictive approach favors joining the three accused infringers if they all comply with the industry standard. Efficiencies associated with joinder will be numerous, and undue hardship probably does not exist given the similarities between products. Application of the two interpretations of "same accused product," however, may reach different results. The "one thing" interpretation would not permit joinder because there is not one device, but the indistinguishability interpretation may permit joinder if compliance with the industry standard means that the three companies' devices are structurally or functionally indistinguishable.

Significantly, the conclusions related to the fifth hypothetical situation do not depend on whether the accused infringers participated in the development of the standard or merely complied with the standard. Rather, the relevant focal point is compliance with the standard and whether the patent claim at issue is essential to that standard.

## 2. *Conclusions Based on Hypothetical Situations*

The preceding hypotheticals indicate that "same accused product or process" should be interpreted to require indistinguishability rather than requiring one product or process, at least in the absence of significant costs in determining indistinguishability. A test based on indistinguishability avoids undue hardship and potential prejudice associated with differences in accused products or processes, while permitting efficiencies associated with joinder when accused products are indistinguishable.<sup>267</sup>

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<sup>266</sup> See *WiAV Networks, LLC v. 3Com Corp.*, No. C 10-03448 WHA, 2010 WL 3895047, at \*2 (N.D. Cal. Oct. 1, 2010) (noting that the patent owner made "no showing . . . that practicing the asserted patents is essential to complying with the protocol in all instances").

<sup>267</sup> An interpretation embracing indistinguishability, as opposed to one product or process, would be consistent with the Federal Circuit's resolution of the split of authority regarding the correct interpretation of Rule 20. See *In re EMC Corp.*, 677 F.3d 1351, 1359 (Fed. Cir. 2012) ("Joinder of independent defendants is only appropriate where the accused products or processes are the same in respects relevant to the patent."). It would therefore prevent divergent approaches to joinder depending on whether the case is

Before considering the appropriate procedure to analyze compliance with the new statutory section, it is important to note a common factual theme among the hypothetical situations where prudential concerns favor joinder. In each, a key factor appears to be a relatively loose understanding of concerted action. For example, a sale of a device by a retailer to a customer involves actions of two parties working together toward the common goal of transferring ownership of a device. The use of a common OEM or a common component manufacturer by two retailers likewise indicates a level of coordinated action. Compliance with an industry standard also indicates that parties are effectively working together with respect to the structure or operation of their devices. In short, concerted action appears to be a proxy for similarity of products or processes. While concerted action does not always mean that accused infringers' products are indistinguishable, concerted action makes indistinguishability more likely. Indeed, the more concerted the action, the more likely that the products are indistinguishable—and therefore, the more likely that joinder is appropriate.<sup>268</sup>

The fact that concerted action indicates that joinder is more appropriate should not come as any surprise. As discussed above, in its only case squarely addressing the question of permissive joinder of parties, the Supreme Court focused on allegations of concerted action by two defendants.<sup>269</sup> Furthermore, the leading opinion on the issue of permissive joinder, the Eighth Circuit's opinion in *Mosley v. General Motors Corp.*, found permissive joinder appropriate because it found a "logical relationship" between separate acts in the form of concerted action.<sup>270</sup> Moreover, in several copyright and trademark infringement lawsuits—and a Second Circuit case involving antitrust claims—courts

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governed by Rule 20 or the new statutory section. Indeed, as the above hypotheticals indicate, § 299 would be dramatically more restrictive than Rule 20 under the "one product or process" approach.

<sup>268</sup> Requiring concerted action would also ensure compliance with the same transaction or occurrence requirement that was preserved from Rule 20. Compare FED. R. CIV. P. 20(a)(2)(A) (requiring that "any right to relief is asserted against them jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences") with Leahy-Smith America Invents Act § 19(d), 35 U.S.C. § 299 (Supp. V 2012) (amended 2013) (requiring that "any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences"). In my view, concerted action is a different articulation of the "shared aggregate of operative facts" test articulated by the Federal Circuit when it interpreted Rule 20. See *In re EMC Corp.*, 677 F.3d at 1359 ("Claims against independent defendants . . . cannot be joined under [Rule 20's] transaction-or-occurrence test unless the facts underlying the claim of infringement asserted against each defendant share an aggregate of operative facts.").

<sup>269</sup> *United States v. Mississippi*, 380 U.S. 128, 142–43 (1965).

<sup>270</sup> 497 F.2d 1330, 1333 (8th Cir. 1974).

have rejected attempts to name multiple defendants in single actions because the claimant failed to allege concerted action.<sup>271</sup>

Given these policy considerations and precedent, patent owners should highlight concerted action when attempting to join multiple alleged patent infringers. The Supreme Court has reversed the Federal Circuit in the past for adopting standards unique to patent infringement cases.<sup>272</sup> And other judicial decisions, including cases involving alleged infringement of copyright and trademark rights, focused on the presence of concerted action to determine whether joinder is appropriate. As a result, a court seeking to apply the new statutory section would be well advised to recognize that concerted action may serve as a signal regarding the appropriateness of joining accused infringers in patent cases.

Notably, “concerted action” here does not require a showing of subjective intent or even knowledge of the common nature of the relevant activity. This is in line with courts’ usage of “concerted action” in other contexts. For example, courts have held that damages for injuries originally caused by one party and later aggravated by another party may be sought in one lawsuit against both parties, regardless of whether the parties intended any relationship between their actions or even whether the parties knew of any such possibility.<sup>273</sup> In these cases, as here, efficiency and perhaps even justice require that the plaintiff be permitted to join the defendants in one lawsuit. Thus, “concerted action” as used here refers to *interrelated* activities.

Focusing on the presence or absence of concerted action in the sense of interrelated activities also gives meaning to the part of § 299 stating that “accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents in suit.”<sup>274</sup> An allegation that two parties infringe the same patent provides a logical way to group

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<sup>271</sup> See *supra* notes 166–68 and accompanying text (analyzing questions of misjoinder outside the context of patent infringement litigation).

<sup>272</sup> See, e.g., *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 390–94 (2006) (rejecting the Federal Circuit’s “‘general rule,’ unique to patent disputes, ‘that a permanent injunction will issue once infringement and validity have been adjudged’” (quoting *MercExchange, LLC v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005))).

<sup>273</sup> See, e.g., *McNeil v. Am. Export Lines, Inc.*, 166 F. Supp. 427, 428 (D. Pa. 1958) (permitting joinder of two employers when the plaintiff claimed a back injury at a first employer and aggravation of the back injury at a second employer); *Lucas v. City of Juneau*, 127 F. Supp. 730, 732 (D. Ala. 1955) (permitting joinder of storeowner and city when plaintiff claimed injuries due to a slip in the store and aggravation of those injuries when the city’s ambulance subsequently crashed).

<sup>274</sup> 35 U.S.C. § 299.

actions.<sup>275</sup> But merely identifying a logical way to group actions does not further the goals of precluding unfair prejudice or minimizing inefficient litigation practices. Indeed, an unconstrained conception of the “logical relationship” test invites litigants to identify broad, abstract relationships between two defendants. By contrast, allegations of concerted action may indicate that the accused products or processes are so similar that joinder should be permitted because of increased efficiencies and a lack of undue hardship on the accused infringers.<sup>276</sup>

### B. Adopting an Efficient Procedure

The interpretation of “same” is not the only question presented by § 299. One difficulty with the conclusions reached above is that there are significant differences between the two interpretations of “same accused product or process” when considering the costs of implementation—that is, the amount of time and effort required to address and resolve the question of the permissiveness of joinder under either interpretation. In particular, it is relatively easy to identify when claims of infringement against multiple accused infringers relate to one product or process. It is relatively difficult, by contrast, to identify whether accused products are structurally or functionally indistinguishable and whether accused processes are functionally indistinguishable.

A second question thus concerns the procedure used to identify whether accused products or processes are the “same.” One possible approach would limit the scope of the inquiry to the content of the complaint. Another approach would allow some discovery on the question at issue. Yet another approach would require completion of the discovery process before a court decides whether to allow joinder.

On this question, the text of § 299 again provides little clear direction.<sup>277</sup> The legislative history, however, indicates that at least

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<sup>275</sup> See *Mosley v. Gen. Motors Corp.*, 497 F.2d 1330, 1333 (8th Cir. 1974) (stating, with regard to Rule 13(a) governing counterclaims, “‘Transaction’ is a word of flexible meaning. It may comprehend a series of many occurrences, depending not so much upon the immediateness of their connection as upon their logical relationship.” (quoting and citing *Moore v. N.Y. Cotton Exch.*, 270 U.S. 593, 610 (1926))).

<sup>276</sup> See *supra* Part I.B.2 (concluding that the logical relationship test requires concerted action).

<sup>277</sup> The second part of 35 U.S.C. § 299 indicates that “accused infringers may not be joined . . . or have their actions consolidated for trial, based solely on *allegations* that they each have infringed the patent or patents in suit.” Leahy-Smith America Invents Act § 19(d), 35 U.S.C. § 299 (Supp. V 2012) (emphasis added). In context, the reference to “allegations” of *infringement* appears unrelated to the question of whether allegations—as opposed to evidence—of the existence of one product or indistinguishability would be sufficient to prove that joinder is appropriate.



some in Congress may have believed the approach taken in *MyMail* should be rejected.<sup>278</sup> If it is, then the procedure used to identify whether accused products or processes are the same will not require the fact discovery process to be complete.<sup>279</sup> Considering policy—as Judge Clark advocated during the negotiations over Rule 20—one approach is to reduce the amount of resources wasted on procedural disputes early in the case by liberalizing joinder to the extent that no procedure would be necessary, because no party would be able to dispute the appropriateness of joinder<sup>280</sup> until just prior to a trial. To reduce any hardship on defendants caused by improper joinder prior to trial, however, some procedure to identify misjoinder is necessary.<sup>281</sup>

To the extent that the above analysis suggests that, in the absence of significant transaction costs, an interpretation of “same” should focus on the indistinguishability of accused products or processes, one approach would be to apply this interpretation of “same” while minimizing transaction costs to the greatest extent possible.

To minimize transaction costs, one approach is to hold that a good faith allegation of indistinguishability—perhaps lodged in a complaint based on recited facts relating to concerted action by accused infringers—creates a rebuttable presumption that the accused products or processes are indistinguishable. Then, a court might hold that the accused infringer bears the burden of rebutting the presumption by proving that the accused products or processes are distinguishable in relevant respects.<sup>282</sup> Given that alleged infringers control information related to their accused products or processes, they should be able to quickly and efficiently present evidence to the court regarding any purported differences. After accused infringers attempt to rebut the presumption of indistinguishability, the court might permit limited

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<sup>278</sup> See H.R. REP. NO. 112-98, pt. 1, at 55 n.61 (2011) (noting legislative abrogation of the construction of Rule 20(a) adopted in *MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004)).

<sup>279</sup> See *MyMail, Ltd.*, 223 F.R.D. at 457 (refusing to sever parties before completion of discovery regarding the accused products).

<sup>280</sup> NOVEMBER 1935 PROCEEDINGS, *supra* note 39, at 501–02 (statement of Charles E. Clark, Dean, Yale Law School).

<sup>281</sup> See *id.* at 505 (statement of Hon. George W. Wickersham, former Att’y Gen. of the U.S.) (“I would not trust to the court where you have a substantive right of the defendant. . . . I think the right of the defendant is to be sued under circumstances that protect him . . .”).

<sup>282</sup> Differences related to requirements of patent claims would qualify as relevant differences. Note, however, that by making successful arguments that products or processes are distinguishable in relevant respects, an accused infringer may defeat any potential position that non-mutual collateral estoppel should apply to any finding of non-infringement. Thus, there are strategic reasons for accused infringers not to argue that accused products or processes are different in relevant respects.

discovery by patent owners. A court might further require parties to file motions regarding misjoinder early in a case. By providing tight controls on the procedure to challenge permissive joinder, courts would further the overarching policy of focusing on the merits of parties' disputes rather than on questions of procedure.

Significantly, Supreme Court precedent indicates that a focus on the pleadings alone may be appropriate. As discussed above, in *United States v. Mississippi*, the Supreme Court focused its inquiry on the allegations in the complaint, not on any evidence developed through discovery or other allegations in motion papers.<sup>283</sup> This approach also would be consistent with the policy favored by Judge Clark during the drafting of Rule 20, because it would eliminate inefficiencies associated with costly discovery related to a procedural question.<sup>284</sup>

Ultimately, the procedure advocated here would enable a district court to use its discretion with regard to trial management to reach a conclusion regarding the question of joinder or consolidation for trial. The approach would follow Federal Circuit jurisprudence, which endorses broad district court discretion on case management matters.<sup>285</sup> A deferential approach would be particularly appropriate here given the absence of any explicit procedure for determining whether accused products or processes qualify as the "same." In effect, Congress and the President have delegated authority to the courts to interpret § 299 and to create an efficient procedure for its application.

### *C. Joining Substance and Procedure: Focusing on Good Faith Allegations of Concerted Action*

The best interpretation of § 299 would maximize efficiencies and avoid undue prejudice to accused infringers while minimizing costs

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<sup>283</sup> *United States v. Mississippi*, 380 U.S. 128, 142–43 (1965).

<sup>284</sup> See NOVEMBER 1935 PROCEEDINGS, *supra* note 39, at 501–02 (statement of Charles E. Clark, Dean, Yale Law School). Another approach would be to treat the question of the appropriateness of joinder as one of pleading, eliminating discovery related to the question of whether the accused products or processes are the "same." However, this approach would be inconsistent with the Supreme Court's approach to Rule 23. The Supreme Court recently highlighted that "Rule 23 does not set forth a mere pleading standard" but instead requires that a "party seeking class certification must affirmatively demonstrate his compliance with the Rule—that is, he must be prepared to prove that there are *in fact* . . . common questions of law or fact . . ." *Wal-Mart Stores, Inc. v. Dukes*, 131 S. Ct. 2541, 2551 (2011). For similar reasons, it may be the patent owner that bears the ultimate burden to prove the appropriateness of joinder of accused infringers and consolidation for trial under § 299.

<sup>285</sup> See, e.g., *Shum v. Intel Corp.*, 499 F.3d 1272, 1276 (Fed. Cir. 2007) ("A court has broad discretion with regard to trial management."); *Glaros v. H.H. Robertson Co.*, 797 F.2d 1564, 1573 (Fed. Cir. 1986) ("Trial courts have the right and duty to manage proceedings before them to insure both expedition and fairness, and must be granted a wide discretion in carrying out that duty.").

related to resolution of the question of the appropriateness of joinder and consolidation. To do so, courts might focus on whether a complaint includes a good faith allegation that the accused product or process is indistinguishable based on concerted action of accused infringers.

Courts might consider allegations of concerted action by accused infringers as a signal that joinder is appropriate, and treat the allegations as creating a rebuttable presumption that the accused products or processes are in fact indistinguishable. The accused infringers would then bear the burden of rebutting the presumption and proving that joinder is inappropriate by introducing evidence that there was no common scheme, or that the accused products or processes are in fact different in relevant respects. In the absence of allegations of indistinguishability based on concerted action, courts might adopt a rebuttable presumption that joinder is inappropriate. The patent owner would then bear the burden of rebutting the presumption and proving that joinder is appropriate because there is a common scheme<sup>286</sup> and because the accused products or processes are in fact indistinguishable in relevant respects.

The ability to name, and try claims against, multiple accused infringers in one lawsuit, while creating efficiencies for courts and patent owners, creates inefficiencies and potential prejudice for accused infringers.<sup>287</sup> These inefficiencies, however, are likely marginal when the accused products or processes are indistinguishable in any relevant respect and the accused infringers have acted in concert with respect to those products or processes. Moreover, efficiencies will likely be significant when the accused products or processes are indistinguishable.

Indeed, there are significant public and private efficiencies associated with a standard that favors more liberal joinder and a procedure that minimizes costs required to resolve the question of whether joinder is appropriate. As for public efficiencies, courts should focus on resolving substantive rather than procedural disputes. Further, courts should not be required to resolve virtually identical disputes multiple times. As for private efficiencies, a patent owner obviously would reduce its total costs significantly by litigating infringement and validity of its patent in one lawsuit rather than in multiple lawsuits.

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<sup>286</sup> To meet the same transaction or occurrence test that still exists in § 299, the patent owner also will have to come forward with evidence that the asserted claims share an aggregate of operative facts—or, in other words, that there is a common scheme. *See supra* note 268 (recognizing the continued need to meet the same transaction or occurrence requirement that was preserved from Rule 20).

<sup>287</sup> *See supra* Part II.A.2.

But even accused infringers would save money by cooperating with each other, and cooperation seems likely and appropriate when the accused products or processes are indistinguishable.

The ability to name and try claims against multiple defendants in one lawsuit no doubt raises the possibility of unfair prejudice.<sup>288</sup> Unfair prejudice, however, likely would be marginal when the accused products or processes are indistinguishable in any relevant respect and when the accused infringers have acted in concert with respect to those products or processes.

As for the procedure used to determine whether joinder of accused infringers is proper, one that focuses on allegations in the complaint, utilizes a rebuttable presumption, and minimizes discovery would be efficient. A procedure that limits disputes regarding joinder of accused infringers to allegations first and limited discovery next would minimize costs borne both by courts and parties.

Thus, there are significant reasons for courts to resolve questions regarding the application of § 299 by focusing on whether a complaint includes a good faith allegation that the accused product or process is indistinguishable based on subsidiary allegations related to concerted action by accused infringers.

#### *D. Effect on the Availability of Other Tools to Streamline Cases*

Significantly, § 299 will control resolution of questions of permissive joinder and consolidation for trial in most patent infringement cases, regardless of which interpretation of the new statutory section courts adopt. The new statutory section will also subject some patent owners to litigating the same patent in different cases and, in some instances, in different forums. It is thus important to highlight the tools still available to district courts and patent owners for ensuring the most efficient coordination and resolution of separate patent infringement cases.

First, § 299 does not limit the ability of a court to “relate” separate patent infringement cases. Applicable local rules, for example, may require parties to notify the court when separate lawsuits involve the same patent so that the court may assign the same judge to hear both actions and thereby conserve judicial resources.<sup>289</sup> After relating cases, the presiding judge may then take other actions to conserve

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<sup>288</sup> See *supra* Part II.A.2 (explaining that multiple accused infringers joined in one trial could lead to jury confusion and that the added costs of joinder on accused infringers could increase the prevalence of “strike suits”).

<sup>289</sup> See, e.g., N.D. CAL. CIV. L.R. 3-12(a) (“An action is related to another when: (1) The actions concern substantially the same parties, property, transaction or event; and (2) It appears likely that there will be an unduly burdensome duplication of labor and expense

judicial resources and maximize efficiencies, including but not limited to consolidating the cases for pretrial purposes if appropriate. While courts may be reluctant to relate cases involving the same patents after determining that joinder under Rule 20 is inappropriate,<sup>290</sup> there should be a lower bar for consolidation for pretrial purposes as compared to consolidation for trial.

Furthermore, unless § 299 has repealed it, Rule 21 gives district courts discretion to add a party to a lawsuit.<sup>291</sup> A court would not be able to add a party using Rule 21 if the restriction on “joinder” in the new statutory section applies to actions taken by *courts*.<sup>292</sup> A textual reading of the Act, however, supports the view that it does not limit the ability of courts to add parties pursuant to Rule 21.<sup>293</sup> In short, given the particular language used in the AIA—“joined” and “consolidated for trial”<sup>294</sup>—it appears that Rule 21 is not repealed in patent infringement actions covered by § 299.

Similar to *courts* retaining the ability to relate separate cases or consolidate actions for pretrial purposes, *potential infringers* retain the ability to intervene in appropriate patent infringement cases to conserve resources. Section 19(d) of the AIA does not repeal Rule 24; in particular, it does not repeal subsection (b) of Rule 24, which permits intervention when a party “has a claim or defense that shares with the main action a common question of law or fact” and intervention will not “unduly delay or prejudice the adjudication of the original parties’ rights.”<sup>295</sup> This continued ability to intervene may prove useful for potential infringers not joined in a lawsuit by a patent owner.<sup>296</sup> Of

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or conflicting results if the cases are conducted before different Judges.”); R. CT. FED. CL. 40.2(a)(2) (“[C]ases are directly related when: . . . they involve the same . . . patent.”).

<sup>290</sup> See, e.g., *WiAV Networks, LLC v. 3Com Corp.*, No. C 10-03448 WHA, 2010 WL 3895047, at \*4 (N.D. Cal. Oct. 1, 2010) (“Given the disparity in defendants, accused products, and other disparate issues discussed herein like damages, wilfulness, and discovery supervision, it is worth adding that the allegations against each remaining defendant would *not* be related under our civil local rules even if brought here as separate actions.” (citing N.D. CAL. CIV. L.R. 3-12(a)(2))).

<sup>291</sup> FED. R. CIV. P. 21 (“Misjoinder of parties is not a ground for dismissing an action. On motion or on its own, the court may at any time, on just terms, add or drop a party. The court may also sever any claim against a party.”).

<sup>292</sup> As discussed above, this appears to be Senator Kyl’s interpretation. See *supra* notes 242–55 and accompanying text (analyzing Senator Kyl’s statement made during the floor debate over the AIA).

<sup>293</sup> See *supra* notes 242–51 and accompanying text (comparing textual language to legislative history).

<sup>294</sup> Leahy-Smith America Invents Act § 19(d), 35 U.S.C. § 299 (Supp. V 2012) (amended 2013).

<sup>295</sup> FED. R. CIV. P. 24(b)(1)(B), (b)(3).

<sup>296</sup> For example, a company with a relatively strong interest in a case may seek to intervene to prevent settlement or the creation of harmful precedent. See, e.g., *Reid v. Gen. Motors Corp.*, 240 F.R.D. 257 (E.D. Tex. 2006) (permitting a company to intervene in a

course, patent owners *not joining* potential infringers is the opposite of the presumed problem that § 299 seeks to address, excessive joinder.

Section 19(d) of the AIA also does not alter a district court's ability to join any or all matters for a common hearing or to consolidate actions for pretrial purposes under Rule 42. Furthermore, courts have treated questions of consolidation for pretrial purposes separately from consolidation for trial. In *MLR, LLC v. U.S. Robotics Corp.*, a patent infringement case, a district court found that one company was not properly joined in a lawsuit with six other defendants pursuant to Rule 20.<sup>297</sup> In particular, the plaintiff failed to allege that the defendants' products were related and thus did not meet the common transaction or occurrence element of Rule 20(a).<sup>298</sup> The court noted, however, that "even if [defendants are] not properly joined, cases involving different defendants may be ripe for consolidation."<sup>299</sup> The court ultimately consolidated the severed case against the one defendant with the original case involving the six other defendants for pretrial purposes because of the overlapping common questions of law and fact.<sup>300</sup>

If the purpose of § 299 is to "allow[ ] unrelated patent defendants to insist on being tried separately,"<sup>301</sup> then joining matters for a common hearing and consolidating actions, short of consolidation for trial, does not contradict that purpose. Moreover, joining matters for hearing and consolidating cases for pretrial purposes would allow for certain efficiencies. In particular, consolidation would facilitate holding a common claim construction hearing, which may be efficient depending on the circumstances. Consolidation for pretrial purposes may also allow for efficiencies associated with common discovery matters, such as depositions of inventors and patent attorneys.

Finally, consider the potential for creating multiple lawsuits involving the same patent and the subsequent transfer of some of those lawsuits to far-flung forums pursuant to 28 U.S.C. § 1404(a). Transfer is particularly possible if a court does not consider benefits associated with maintaining multiple lawsuits in one venue so that they can be related or consolidated for pretrial purposes.<sup>302</sup>

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patent infringement lawsuit against its customers after one such customer sought indemnity).

<sup>297</sup> No. 02 C 2898, 2003 WL 685504, at \*3 (N.D. Ill. Feb. 26, 2003).

<sup>298</sup> *Id.* at \*2.

<sup>299</sup> *Id.* at \*3.

<sup>300</sup> *Id.*

<sup>301</sup> See 157 CONG. REC. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Jon Kyl).

<sup>302</sup> See, e.g., *In re Zimmer Holdings, Inc.*, 609 F.3d 1378, 1382 (Fed. Cir. 2010) ("[I]n the circumstances of this case, we cannot say [the patent owner filing suit against another

Maintenance of multiple lawsuits involving the same patent in far-flung forums may waste judicial resources as well as create the potential for issue preclusion against patent owners.

The Judicial Panel on Multidistrict Litigation (MDL Panel) may be useful when joinder is inappropriate in patent infringement actions. In particular, the MDL Panel may order consolidation of lawsuits from separate forums for pretrial purposes pursuant to 28 U.S.C. § 1407(a). While it might seem that such consolidation under § 1407(a) would be inconsistent with a district court's prior order to transfer the case under § 1404(a), the Federal Circuit has held that the considerations pertinent to these two provisions are not the same.<sup>303</sup>

A court grants a motion to transfer under § 1404(a) for the "convenience of parties and witnesses" and "in the interest of justice."<sup>304</sup> The focus of this analysis, however, is on convenience at *trial*.<sup>305</sup> By contrast, the MDL Panel grants a motion for consolidation under § 1407(a) if there is "one or more common questions of fact" and transfer "will be for the convenience of parties and witnesses and will promote the just and efficient conduct of such actions."<sup>306</sup> The focus of this analysis is on convenience and efficiency of coordinated *pretrial* proceedings. While it may be true that convenience or efficiency for purposes of trial counsels in favor of transfer of a particular case from one forum to another, convenience and efficiency for pretrial purposes may counsel that the same case, now transferred, be consolidated with other cases from its original forum.

Thus, even after passage of the AIA, patent owners and district courts still have various tools to coordinate separate patent infringement cases to reduce costs.

## CONCLUSION

The new statutory section governing permissive joinder and consolidation in most patent cases targets the Eastern District of Texas. It

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defendant in the same forum] negates the significance of having trial close to where most of the identified witnesses reside and where the other convenience factors clearly favor.").

<sup>303</sup> See *In re Regents of the Univ. of Cal.*, 964 F.2d 1128, 1133 (Fed. Cir. 1992) ("The denial of a motion to transfer under § 1404(a) does not bar coordination of pretrial procedures under § 1407. The considerations pertinent to a change of venue under § 1404(a) are not the same as those pertinent to coordination of pretrial proceedings in multiple cases involving common parties." (citations omitted)).

<sup>304</sup> 28 U.S.C. § 1404(a) (2006).

<sup>305</sup> See, e.g., *In re TS Tech USA Corp.*, 551 F.3d 1315, 1319 (Fed. Cir. 2008) (noting that "private" interest factors involved in transfer analysis under § 1404(a) deal with "practical problems that make a trial easy, expeditious and inexpensive").

<sup>306</sup> 28 U.S.C. § 1407(a) (2006). For practical insights into the operation of the MDL Panel and its interpretation of its statutory mandate, see John G. Heyburn II, *A View from the Panel: Part of the Solution*, 82 TUL. L. REV. 2225 (2008).

reflects concern that patent owners may be using permissive joinder to forum shop and increase the cost of litigation for accused infringers. My empirical analysis appears to confirm this strategic conduct by patent owners by recognizing a consistent increase in the number of accused infringers named in initial complaints filed in the Eastern District of Texas in the years prior to enactment of the AIA. To limit patent owners' ability to engage in this conduct, the new statutory section overturns an interpretation and application of Rules 20 and 42 that was followed in most cases in that forum. Moving forward, § 299 should be interpreted to further the goals of improving efficiency while avoiding undue prejudice to accused infringers. To do so, the standard for determining whether joinder of accused infringers and consolidation for trial is inappropriate should focus, in the first instance, on whether accused infringers acted in concert and, ultimately, on whether the accused products or processes are indistinguishable.



## APPENDIX:

INITIAL COMPLAINTS IN PATENT INFRINGEMENT CASES FILED IN  
THE EASTERN DISTRICT OF TEXAS AND THE NORTHERN DISTRICT  
OF CALIFORNIA

This study analyzed initial complaints alleging patent infringement<sup>307</sup> originally filed in the U.S. District Courts for the Eastern District of Texas and the Northern District of California<sup>308</sup> from January 1, 2008 through September 15, 2011. The study covered 1018 complaints filed in the Eastern District of Texas and 404 complaints filed in the Northern District of California. For each complaint, the number of defendants and the number of defendants with an identified tie to the forum state were recorded, as well as whether the complaint identified any plaintiff as having a tie to the forum state.<sup>309</sup>

I selected 2008 as the first year of the study in order to consider over nine months of data prior to the issuance of the seminal opinion that ultimately resulted in the slew of orders requiring the Eastern District of Texas to transfer cases.<sup>310</sup> I continued the study through September 15, 2011, which extends the study up to the day before the effective date of § 299.<sup>311</sup>

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<sup>307</sup> The study excluded complaints that requested only declaratory judgments of non-infringement, invalidity, or unenforceability and did not also allege patent infringement, even though an answer might include counterclaims alleging infringement.

<sup>308</sup> The study of either forum excluded complaints originally filed in any other forum. For example, if the Eastern District of Texas transferred a case originally filed in the Eastern District of Texas to the Northern District of California, the complaint counted toward the statistics associated with the Eastern District of Texas and not toward the statistics associated with the Northern District of California. As another example, if the District of Delaware transferred a case originally filed in the District of Delaware to the Northern District of California, the complaint did not count toward any statistics in the study.

<sup>309</sup> For corporate entities, the study considers a tie to the forum state to include the identification of incorporation, headquarters, or principal place of business in the forum state. For individuals, the study considers a tie to the forum state to include the identification of residency in the forum state.

<sup>310</sup> The Fifth Circuit issued an en banc opinion related to the resolution of motions to transfer for inconvenient forum on October 10, 2008. *In re Volkswagen of Am., Inc.*, 545 F.3d 304 (5th Cir. 2008) (en banc). The Federal Circuit repeatedly relied upon this case to order the Eastern District of Texas to transfer cases. *See, e.g., In re Verizon Bus. Network Servs. Inc.*, 635 F.3d 559 (Fed. Cir. 2011) (citing *In re Volkswagen* and ordering the Eastern District of Texas to transfer the case to a more convenient forum); *In re Zimmer Holdings, Inc.*, 609 F.3d 1378 (Fed. Cir. 2010) (same); *In re Nintendo Co.*, 589 F.3d 1194 (Fed. Cir. 2009) (same); *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008) (same). I hypothesized that patent owners may have altered their filing strategies based on the holdings in these cases.

<sup>311</sup> *See Leahy-Smith America Invents Act*, Pub. L. No. 112-29, § 19(e), 125 Stat. 284, 333 (2011) ("The amendments made by this section shall apply to any civil action commenced on or after the date of the enactment of this Act."); Press Release, Office of the Press Sec'y, *supra* note 2 (announcing that President Obama signed the AIA on September 16, 2011).

I selected the Northern District of California and the Eastern District of Texas given that they comprise two of the top four districts in terms of numbers of filing of patent cases in the calendar years covered by the study;<sup>312</sup> given that scholars have compared these districts in the past with respect to choice of venue;<sup>313</sup> given the contrasting views of judges in these forums regarding the appropriateness of joinder of accused infringers;<sup>314</sup> given the unique circumstance that the Federal Circuit has ordered the Eastern District of Texas to transfer patent infringement cases nine times in recent years without ordering the Northern District of California to transfer any cases;<sup>315</sup> and given the unique role of the Eastern District of Texas in motivating members of Congress to vote for the AIA and the new statutory section repealing Rule 20 in most patent infringement cases.<sup>316</sup>

The following table summarizes the overall results of my study for the entire time period under consideration:

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<sup>312</sup> According to statistics maintained by Lex Machina, the Eastern District of Texas ranked first, second, and third out of all federal district courts in terms of the number of patent cases filed in 2008, 2009, and 2010 respectively. The Northern District of California ranked fourth in each of these three years.

<sup>313</sup> See, e.g., Jeanne C. Fromer, *Patentography*, 85 N.Y.U. L. REV. 1444, 1466 (2010) (identifying beneficial effects of patent owners selecting the Northern District of California and the Eastern District of Texas).

<sup>314</sup> Compare, e.g., *MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004) (holding that pre-discovery joinder is appropriate when the defendants are all alleged to have infringed the same patent because the issue of the asserted patent's scope is common to all and because the court cannot determine whether all of the claims arise out of the same series of transactions until the completion of discovery), with *WiAV Networks, LLC v. 3Com Corp.*, No. C 10-03448 WHA, 2010 WL 3895047 (N.D. Cal. Oct. 1, 2010) (holding that joinder of defendants all alleged to have infringed the same patent is not appropriate if the plaintiff does not allege that the defendants acted in concert because discovery and claim construction issues will vary among the different defendants).

<sup>315</sup> See *supra* note 24 (listing nine Federal Circuit opinions ordering the Eastern District of Texas to transfer patent infringement cases); *supra* note 175 (indicating that a search of Westlaw for any opinion by the Federal Circuit ordering the Northern District of California to transfer a patent infringement failed to identify any such opinion).

<sup>316</sup> See 157 CONG. REC. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Jon Kyl) ("This provision effectively codifies current law as it has been applied everywhere outside of the Eastern District of Texas.").

	<i>Eastern District of Texas</i>	<i>Northern District of California</i>
Mean Number of Defendants	9.1	2.4
Mean Number of Defendants with Identified Tie to Forum State	1.2	1.0
Median Number of Defendants	4	1
Median Number of Defendants with Identified Tie to Forum State	0	1
Mean Quarterly Percentage of Defendants with Identified Tie to Forum State	12%	41%

The following figures illustrate the changes in filing strategies by patent owners over the time period:

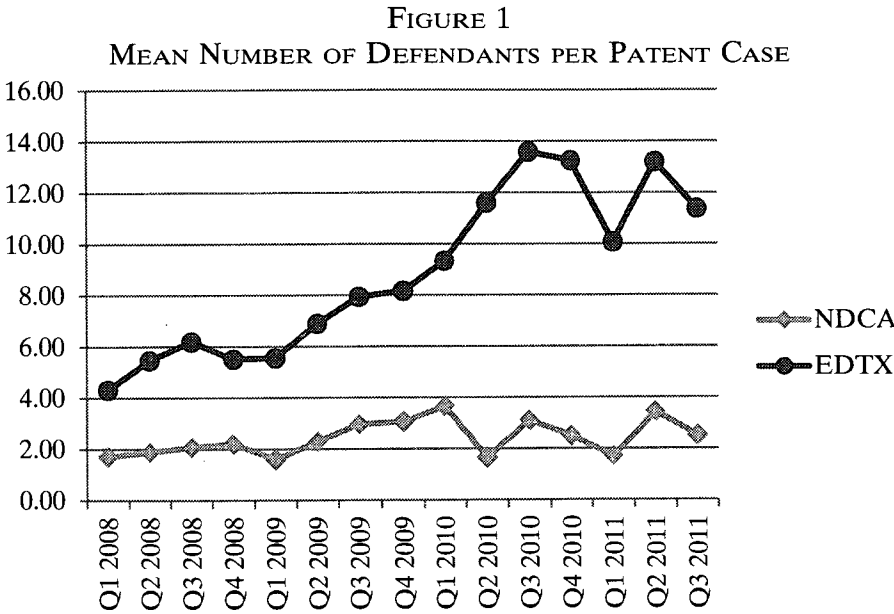


FIGURE 2  
MEAN NUMBER OF DEFENDANTS WITH TIE TO FORUM STATE  
PER PATENT CASE

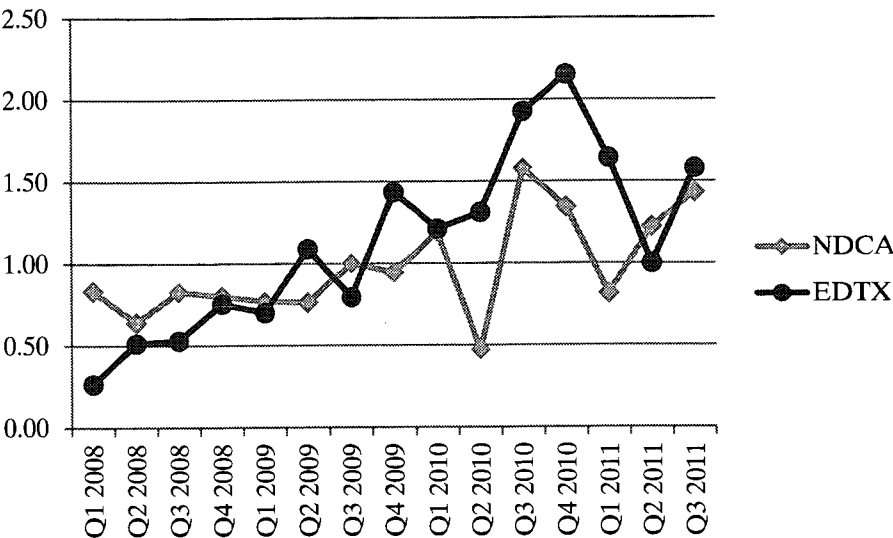


FIGURE 3  
MEDIAN NUMBER OF DEFENDANTS PER PATENT CASE

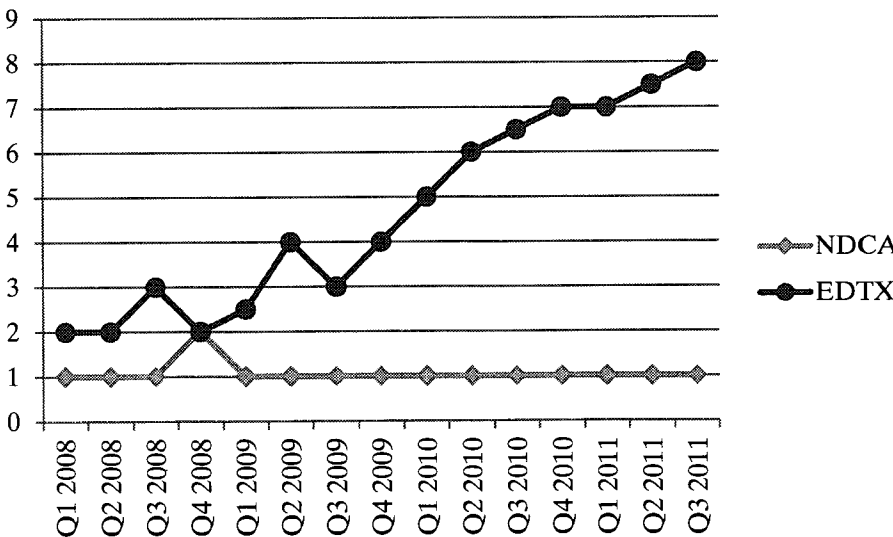


FIGURE 4  
MEDIAN NUMBER OF DEFENDANTS WITH TIE TO FORUM STATE  
PER PATENT CASE

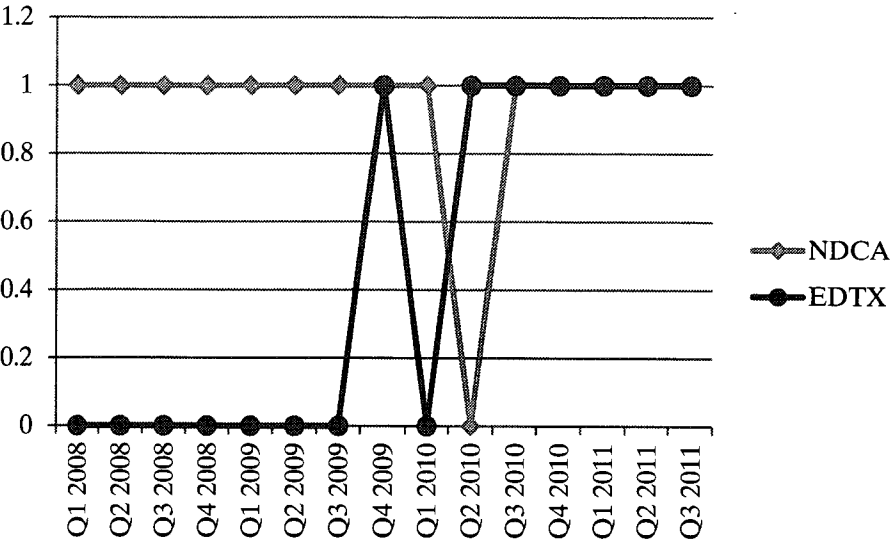


FIGURE 5  
PERCENTAGE OF DEFENDANTS WITH IDENTIFIED TIE  
TO FORUM STATE

